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THE SCOPE AND METHOD OF POLITICAL ECONOMY IN THE LIGHT OF THE "MARGINAL" THEORY OF VALUE AND OF DISTRIBUTION.[1]

I.

I ADDRESS myself primarily to those who already accept the marginal theory of Value and Distribution, inviting their attention to the modifications it is already introducing into current conceptions of Political Economy and of its relation to other studies, and urging the necessity of accepting the change more frankly and pressing it further. But at the same time I think we shall find that the best approach to our proper subject is through a summary exposition, if not a defence, of the theory itself.

Let us begin by attempting to determine the characteristic of the economic field of investigation. Naturally there is no sharp line that marks off the economic life, and we must not expect to arrive at any rigid definition of it; but I take it that if I am doing a thing because I want it done for its own sake (not necessarily *my* own sake, in any restricted sense, for it may primarily concern some one else in whom I am interested out of pure good will), or am making a thing that I require for the supply of my own desires or the accomplishment of my own purposes; if, in fact, I am engaged in the direct pursuit of my own purposes, or expression of my own impulses, my action is not economic. But if I am making or doing anything not because I have any direct interest in it, but because someone else wants it, and that other person will either do what I want done or put me in command of it, then I am furthering his purposes

[1] Presidential Address to Section F of the British Association, Birmingham, 1913.

as a means of furthering my own. I am indirectly forwarding my purposes by directly forwarding his. This is the nature of the economic relation, and the mechanism or articulation of the whole complex of such economic relations is the proper subject of economic investigation. Thus, if a peasant adorns his ox-yoke with carving because he likes doing it and likes it when done, or if he carves a stool for his friend because he loves him and likes doing it for him and believes he will like it when done, the action is not economic; but if he gets a reputation for carving and other peasants want his work, he may become a professional carver and may carve a yoke or a stool because other people want them and he finds that supplying their wants is the easiest way for him to get food and clothes and leisure for his own art, and all things else that he desires. His artistic work now puts him into an economic relation with his fellows; but this example serves to remind us that there may be an indefinite area of coincidence between the economic and non-economic aspects of a man's occupations and relations. That man is happy indeed who finds that in expressing some part of his nature he is providing for all his natural wants; or that in rendering services to friends in which he delights he is putting himself in command of all the services he himself needs for the accomplishment of his own purposes. A perfect coincidence of this nature is the dream of modern Utopias; but my present subject is only the economic side of the shield.

The economic organism, then, of an industrial society represents the instrumentality whereby every man, by doing what he can for some of his fellows, gets what he wants from others. It is true, of course, that those for whom he makes or does something *may* be the same as those from whom he gets the particular things he wants. But this is not usual. In such a society as ours the persons whom a man serves are usually incapable of serving him in the way he desires, but they can put him in command of the services he requires, though they cannot render them. This is accomplished by the instrumentality of money, which is a generalised command of the services and commodities in the circle of exchange; "money" being at once a standard in which all market prices are expressed, and a universal commodity which everyone who wishes to exchange what he has for what he wants will accept as a medium, or middle term, by which to effect the transformation. Thus in most commercial transactions one party furthers a specific purpose of the other, and receives in exchange a command, defined in amount but not

in kind, of services and commodities in general; the scale of equivalence being a publicly recognised thing announced in current market prices. Every member of the community who stands in economic relations with others alternately generalises his special resources and then specialises his general resources, first directly furthering someone else's purposes and then picking out the persons who can directly further his. Thus each of us puts in what he has at one point of the circle of exchange and takes out what he wants at another. Being out of work is being unable to find anyone who values our special service enough to relinquish in our favour such a command of services in general as we are prepared to accept in return.

Our economic relations, therefore, are built up on a recognised scale of equivalences amongst the various commodities and services in the circle of exchange; or, in other words, upon market values. And our first step must be to formulate the "marginal" theory of exchange, or market, values. It is capable of very easy and precise formulation in mathematical language; for it simply regards value in exchange as the first derived or "differential" function of value in use; which is as much as to say, in ordinary language, that what a man will give for anything sooner than go without it is determined by a comparison of the *difference* which he conceives its possession will make to him, compared with the difference that anything he gives for it or could have had instead of it will or would make; and, further, that we are generally considering in our private budgets, and almost always in our general speculations, not the significance of a total supply of any commodity—coals, bread, or clothes, for instance—but the significance of the difference between, say, a good and a very good wheat harvest to the public, or the difference between ten and eleven loaves of bread per week to our own family, or perhaps between ten days and a fortnight spent at the sea-side. In short, when we are considering whether we will contract or enlarge our expenditure upon this or that object, we are normally engaged in considering the difference to our satisfaction which differences of adjustment in our several supplies will make. We are normally engaged, then, not in the consideration of totals, either of supplies or of satisfactions, but of differences of satisfaction dependent upon differences of supplies.

According to this theory, then, what I am *willing* to give for an increase in my supply of anything is determined by the difference it will make to my satisfaction, but what I shall *have*

to give for it is determined by the difference it would make to the satisfaction of certain other people; for if there is anyone to whom it will make more difference than it will to me, he will be ready to give more for it, and he will get it, while I go without. But again, since the more he has the less difference will a still further increase make to him, and the less I have the more difference will a still further decrease make to me, we shall ultimately arrive at an equilibrium; what I am willing to give and what I am compelled to give will coincide, and the difference that a little more or a little less of any commodity which I habitually consume makes to my estimated satisfaction will be identical with a similar estimated difference to any other habitual consumer.

Or we may attack the problem from the point of view of the individual. We have pointed out that to any individual the differential significance of a unit of supply of any commodity or service declines as the supply increases. In our own expenditure, we find that current prices (our individual reaction on the market being insensible) fix the terms on which the various alternatives offered by the whole range of commodities and services in the circle of exchange are open to us. Obviously, so long as the differential satisfaction anticipated from one purchase exceeds that which the same money would procure from another, we shall take the preferable alternative (thereby reducing its differential superiority) until we have so regulated our expanding or contracting supplies that the differential satisfactions gained or lost from a given small increase or decrease of expenditure upon any one of our different objects of interest is identical. Into the practical difficulties that prevent our ever actually reaching this ideal equilibrium of expenditure I will not here enter; but I must call attention to the identity in principle of this analysis of the internal economy of our own choice between alternatives, tending to a subjective equilibrium between the differential significances of different supplies to the same person, and the corresponding analysis, just given, of the process by which an objective equilibrium is approached between the differential significances of the same supplies to different persons.

And this observation introduces another of extreme importance. In our private administration of resources we are concerned both with things that are and with things that are not in the circle of exchange, and the principle of distribution of resources is identical in both cases. The independent student who is apportioning his time and energy between pursuing his

own line of research and keeping abreast of the literature of his subject is forming estimates of differential significances and is equating them to each other just as directly as the housewife who is hesitating between two stalls in the market. And when we are considering whether we will live in the country or the town, we may find, on examination, that we are carefully equating increments and decrements of such apparently heterogeneous indulgences as those associated with fresh eggs and friendship. Or, more generally, the inner core of our life problems and the gratification of all our ultimate desires (which are indeed inextricably interlaced with our command of exchangeable things, but are the ends to which the others are but means) obey the same all-permeating law. Virtue, wisdom, sagacity, prudence, success, imply different schemes of values, but they all submit to the law formulated by Aristotle with reference to virtue, and analysed by modern writers with reference to business, for they all consist in combining factors *κατ' ὀρθὸν λόγον, in the right proportion*, as fixed by that distribution of resources which establishes the equilibrium of their differential significances in securing the object contemplated, whether that object be tranquillity of mind, the indulgence of an overmastering passion or affection, the command of things and services in the circle of exchange, or a combination of all these, or of any other conceivable factors of life.

Now this dominating and universal principle of the distribution of resources, as we have seen, tends, by the instrumentality of the market, to secure an identity in the relative positions of increments of all exchangeable things upon the scales of all the members of the community amongst whom they are distributed. For if, amongst the things he possesses, A finds one, a given decrement in which would make less difference to him, as measured in increments of other exchangeable things, than the corresponding increment would make to B (who is assumed to have a certain command of exchangeable things in general), obviously there is a mutual gain in B giving for the increment in question what is less than worth it to him but more than worth it to A. There is equilibrium therefore only when a decrement in any man's stock of any exchangeable thing would make more difference to him, as measured in other exchangeable things, than the corresponding increment (measured in the same terms) would make to anyone else. Hence all those who possess anything must, in equilibrium, value it more, differentially or incrementally, than anyone who does not possess it, provided that this latter does

possess something, and provided that "value" is measured in exchangeable things.

But this last qualification is all-important. The market tends to establish an identity of the place of the differential value of any commodity amongst all exchangeable things on everybody's scale of preferences, and further to secure that it is higher on the scale of everyone that has it than on the scale of anyone who has it not; so that to that extent, and in that sense, things must always tend to go and to stay where they are most significant. But then exchangeable things are never really the ultimately significant things at all. They are means. The ends, which are always subjective experiences of some kind, whether of the senses or the will or the emotions, are not in any direct way exchangeable; and there is no machinery to secure that increments and decrements of exchangeable things shall in industrial equilibrium take the same place and have the same differential significance on the scales of any two men when measured not in terms of other means, but in terms of ends. If two men habitually spend a portion of their resources on food and on books, there is a presumption that to both of them the differential significance of a shilling's-worth of food and of a volume of Everyman's or the Home University Library is equivalent. But there is no presumption whatever that the vital significance of either one or the other is identical to the two men as measured, not each in terms of the other, but each in the degree to which it ministers to the ultimate purposes of its possessor or consumer; in the pain that its absence or the pleasure that its presence would give him; or in its ultimate significance upon his life. Granted that x makes just as much difference, both to you and to me, as y does, it does not follow that either x or y makes the same difference to you that it does to me.

The ground is now clear for a step forward along the main line of our advance. The differential theory of exchange values carries with it a corresponding theory of distribution, whether we use this term in its technical sense of the division of a product amongst the factors that combine for its production, or whether we employ it as equivalent to "administration," and are thinking of the administration of our personal resources; that is to say, their distribution amongst the various objects that appeal to us; or again, the distribution, under economic pressures, of the sum of the industrial resources of a society amongst the objects that appeal to its members.

Land, manifold apparatus, various specialised faculties of

hand, eye, and brain, are essential, let us say, to the production of some commodity valued by someone (it does not matter whom), for some purpose (it does not matter what). None of these heterogeneous factors can be dispensed with, and therefore the product in its totality is dependent upon the co-operation of each one severally. But there is room for wide variety in the proportions in which they are combined, and whatever the existing proportion may be each factor has a differential significance, and all these differential significances can be expressed in a common unit; that is to say, all can be expressed in terms of each other, by noting the increment or decrement of any one that would be the equivalent of a given decrement or increment of any other; equivalence being measured by the neutralising of the effect upon the product, or rather, not upon the material product itself, but the command of generalised resources in the circle of exchange for the sake of which it is produced. The manager of a business is constantly engaged in considering, for instance, how much labour such-and-such a machine would save; how much raw material a man of such-and-such character would save; what equivalent an expansion or reconstruction of his premises would yield in ease and smoothness in the conduct of business; how much economy in the shop would be effected by a given addition to the staff in the office, and so on. This is considering differential significances and their equivalences as they affect his business. And all the time he is also considering the prices at which he can obtain these several factors, dependent upon their differential significances to other people in other businesses. His skill consists, like that of the housewife in the market, in expanding and contracting his expenditure on the several factors of production so as to bring their differential significances to himself into coincidence with their market prices. And note that the same principle can be applied without any difficulty to such immaterial factors of efficiency as "goodwill" or notoriety; but it would delay us too long to work this out or to anticipate possible objections. A hint must suffice.

Here, then, we have a firm theoretical basis for the study of distribution, independent of the particular form of organisation of a business. Whether those in command of the several factors of production meet and discuss the principles upon which the actual proceeds of the business shall be divided, when they are realised; or whether some one person takes the risks (on his own behalf or on behalf of a group of others), and discounts the estimated significance of the several factors, buying up their several

interests in the product, by paying wages and salaries, interest, and rent, and by purchasing machinery and raw material, and so forth; or whatever other mechanism may be adopted, the underlying principle is the same. The differential equivalence of the factors of production reduces them to a common measure, and when they are all expressed in the same unit the problem of the division of the product amongst them is solved in principle.

Now I conceive that the application of this differential method to economics must tend to enlarge and to harmonise our conception of the scope of the study, and to keep it in constant touch with the wider ethical, social, and sociological problems and aspirations from which it must always draw its inspiration and derive its interest; for if we really understand and accept the principle of differential significances we shall realise, as already pointed out, that Aristotle's system of ethics and our reconstructed system of economics are twin applications of one identical principle or law, and that our conduct in business is but a phase or part of our conduct in life, both being determined by our sense, such as it is, of differential significances and their changing weights as the integrals of which they are the differences expand or contract. Cæsar, "that day he overcame the Nervii," being surprised by the enemy, contracted his exhortation to the troops, but did not omit it. In his distribution of the time at his disposal the differential significance of prompt movement was higher than usual in relation to the differential significance of stirring words from their beloved and trusted commander addressed to the soldiers as they entered upon action. An ardent lover may decline a business interview in order to keep an appointment with his lady-love, but there will be a point at which its estimated bearing upon his prospects of an early settlement will make him break his appointment with the lady in favour of the business interview. A man of leisure with a taste for literature and a taste for gardening will have to apportion time, money, and attention between them, and consciously or unconsciously will balance against each other the differential significances involved. All these, therefore, are making selections and choosing between alternatives on precisely the same principle and under precisely the same law as those which dominate the transactions of the housewife in the market, or the management of a great factory or iron-works, or the business of a bill-broker.

A full realisation of this will produce two effects. In the first place, it will put an end to all attempts to find "laws" proper

to our conduct in economic relations. There are none. Hitherto economists for the most part have been vaguely conscious that the ultimate laws of economic conduct must be psychological, and, feeling the necessity of determining some defining boundaries of their study, have sought to make a selection of the motives and aims that are to be recognised by it. Hence the simplified psychology of the "economic man," now generally abandoned—but abandoned grudgingly, by piecemeal, under pressure, and with constant attempts to patch up what ought to be cast away. There is no occasion to define the economic motive, or the psychology of the economic man, for economics study a type of relation, not a type of motive, and the psychological law that dominates economics dominates life. We may either ignore all motives or admit all to our consideration, as occasion demands, but there is no rhyme or reason in selecting certain motives that shall and certain others that shall not be recognised by the economist.

In the second place, when taken off the wrong track we shall be able to find the right one, and shall understand that the proper field of economic study is, in the first instance, the type of relationship into which men spontaneously enter, when they find that they can best further their own purposes by approaching them indirectly. There is seldom a direct line by which a man can make his faculties and his specialised possessions minister continuously to all his purposes, or even to the greater part or the most importunate part of them. He must find someone else to whose purposes he can directly devote his powers or lend his resources in order that he may generalise his specific capacity or possession, and then again specialise this generalised command in the direction his tastes or needs dictate. The industrial world is a spontaneous organisation for transmuting what every man has into what he desires, wholly irrespective of what his desires may be.

And, in the third place, this truer conception of the economic field of investigation, coupled with the sense of the unity of fundamental law and fundamental motive that sways our economic and our non-economic action, will throw a constantly increasing emphasis upon the fact that our economic life is not and cannot be isolated, but is at every point combined with the direct expression of character and indulgence of taste, while the human relations into which it brings us are constantly waking in us a direct interest (whether of attraction or repulsion) in those purposes of others which we are directly furthering as an indirect means of furthering our own, purposes which we have indeed adopted, but

beyond which we look whenever we reflect. There is no reason why means should not, to an undefined extent, be from the beginning, or become, in course of time, ends in themselves, while still continuing to be means; nor, alas, is there any guarantee that they will not be, or will not become, negative and repellent as ends, either through physical weariness or moral repulsion. Perhaps most men's "occupations" combine both characteristics.

Again, the realisation of the exact nature of the economic organisation as a machinery for combining in mutual helpfulness persons whose ends are diverse, will drive it home to our consciousness that one man's want is another man's opportunity, and that it may serve a man's turn to create a want or a passion in another in order that he may find his opportunity in it. All along the line, from a certain type of ingenious advertiser to the financier (if he really exists) who engineers a war in order that he may arrange a war loan, we may study the creation of wants and passions, destructive of general welfare, for the sake of securing wealth to individuals. And we may realise the deeply significant truth that to any individual the full discharge of his industrial function—that is to say, the complete satisfaction or disappearance, by whatever means, of the want which he is there to satisfy—must be, if he contemplates it, a nightmare: for it would mean that he would be "out of work," that because no one wants what he can give no one wants him, and neither will anyone give him what he wants.

Yet again, in our industrial relations the thing we are doing is indeed an end, but it is someone else's end, not ours; and, as far as the relation is really economic, the significance *to us* of what we are doing is measured not by its importance to the man for whom it is done, but by the degree to which it furthers our own ends. There can, therefore, be no presumption of any coincidence between the social significance of our work and the return we receive for it. We cannot say, "What men most care for they will pay most for, therefore what is most highly paid is most cared for," for (sometimes to our positive knowledge, and generally "for all we know") it is different men who express their eagerness for the different things we are comparing, by offering such-and-such prices, and those who offer little money for a thing may do so not because what they demand signifies so little, but because what they would have to give, or to forgo, for it signifies so much. They may offer little for a thing not because its possession matters so little but because their possession of anything, including this particular thing, matters so much.

These and other such considerations will not directly affect our exposition of the mechanism of the market, the central phenomenon of the industrial world, but they will profoundly affect the spirit in which we approach, and in which we conduct, our investigation of it. For we shall not only know but shall always feel that the economic machine is constructed and moved by individuals for individual ends, and that its social effect is incidental. It is a means and its whole value consists in the nature of the ends it subserves and its efficacy in subserving them. The collective wealth of a community ceases to be a matter of much direct significance to us, for if one man has a million pounds, and a hundred others have ten pounds each, the collective wealth is the same as if the hundred and one men had a thousand each. What are we to expect from a survey made from a point of view from which these two things are indistinguishable? The market does not tell us in any fruitful sense what are the "national," "social," or "collective" wants, or means of satisfaction, of a community, for it can only give us *sums*, and the significance of a sum varies indefinitely according to its distribution.

If we reflect on these things—and the study of differential significances forces us to reflect upon them—we shall never for a moment, in our economic investigations, be able to escape from the pressure of the consciousness that they derive their whole significance from their social and vital bearings, and that the categories under which we usually discuss them conceal rather than reveal their meaning. We shall understand that this ultimate significance is determined by ethical considerations; that the sanity of men's desires matters more than the abundance of their means of accomplishing them; that the chief dangers of poverty and wealth alike are to be found in degeneracy of desire, and that the final goal of education and of legislation alike must be to thwart corrupt and degrading ends, to stimulate worthy desires, to infect the mind with a wholesome scheme of values, and to direct means into the channels where they are likeliest to conduce to worthy ends.

To sum up this branch of our examination, the differential theory of economics will never allow us to forget that organised "production," which is the proper economic field, is a means only, and derives its whole significance from its relation to "consumption" or "fruition," which is the vital field, and covers all the ends to which production is a means; and, moreover, the economic laws must not be sought and cannot be found on the properly economic field. It is on the vital field, then, that the laws of

economics must be discovered and studied, and the data of economics interpreted. To recognise this will be to humanise economics.

The merit of our present organisation of industry is to be found in the extent to which it is spontaneous, and lays every man, whatever his ends, under the necessity of seeking some other man whom he can serve, in order to accomplish them. So far it is social, for it compels the individual to relate himself to others. But the more we analyse the life of society the less can we rest upon the "economic harmonies"; and the better we understand the true function of the "market," in its widest sense, the more fully shall we realise that it never has been left to itself, and the more deeply shall we feel that it never must be. Economics must be the handmaid of sociology.

II.

Let me now proceed to the consideration of a few points in which I think the traditional methods of technical exposition need reconsideration in the light of the differential theory.

At the root of all lies a profound modification of our conception of the nature and function of the "market" itself. The differential theory when applied to exchangeable things tells us that there is equilibrium only when an exchangeable commodity is so distributed that everyone who possesses it assigns the same place to its differential value, amongst those of other commodities of which he has a supply; and that this place is a higher one than it occupies on the relative scale of anyone who does not possess it. What this place is—that is to say, the differential equivalence of the commodity in terms of other commodities, when equilibrium is established—is fixed absolutely by two determinants. These are:—(1) The tastes, desires, and resources of the individuals constituting the society. When objectively measured and expressed, these individual desires for any one commodity can be represented by curves capable of being summed; and the resultant curve, objectively homogeneous but covering undefined differences of vital or subjective significance, is usually called, so far as it is understood and realised, the "curve of demand." This is one of the determinants we are examining, and it represents a series of hypothetically co-existing relations between given hypothetical supplies and corresponding differential significances. It is a curve representing a function. (2) The amount of the actual supply existing in the community. This is not a curve at all, but an actual

quantity. It is not a series of co-existing relations, but one single fact, and it determines which of the series of hypothetical or potential relations represented by the curve shall be actually realised.

But what about the "supply curve" that usually figures as a determinant of price, co-ordinate with the demand curve? I say it boldly and baldly: There is no such thing. When we are speaking of a marketable commodity, what is usually called the supply curve is in reality the demand curve of those who possess the commodity; for it shows the exact place which every successive unit of the commodity holds in their relative scale of estimates. The so-called supply curve, therefore, is simply a part of the total demand curve which we have already described as factor (1). The separating out of this portion of the demand curve and reversing it in the diagram is a process which has its meaning and its legitimate function, as we shall see in a moment, but is wholly irrelevant to the determination of the price.

The intercourse of the market enables all the parties concerned to find their places with respect to each other on the general demand curve. Each individual, whether or not he possesses a stock of the commodity, brings his own individual curve of demand into the market, and there relates it to all the other individual curves of demand, thus constituting the collective curve, which (together with the amount of the commodity available) determines the price, *i.e.*, the (objective) height of the lowest demand for a unit of the commodity which the available amount will suffice to reach.

The ordinary method of presenting the demand curve in two sections tells us the extent to which the present distribution of the commodity departs from that of equilibrium, and therefore the extent of the transactions that will be required to reach equilibrium. But it is the single combined curve alone that tells us what the equilibrium price will be. The customary representation of cross curves confounds the process by which the price is discovered with the ultimate facts that determine it.

Diagrams of intersecting curves (and corresponding tables) of demand prices and supply prices are therefore profoundly misleading. They co-ordinate as two determinants what are really only two separated portions of one; and they conceal altogether the existence and operation of what is really the second determinant. For it will be found on a careful analysis that the construction of a diagram of intersecting demand and "supply" curves always involves, but never reveals, a definite assumption

as to the amount of the total supply possessed by the supposed buyers and the supposed sellers taken together as a single homogeneous body, and that if this total is changed the emerging price changes too; whereas a change in its initial distribution (if the collective curve is unaffected, while the component or intersecting curves change) will have no effect on the market, or equilibrating price itself, which will come out exactly the same. Naturally, for neither the one curve nor the one quantity which determine the price has been changed.

The accompanying diagrams may suggest to the reader a method of testing the validity of the argument in the text.

Ox in both figures represents the amount of the commodity, and the curve in Fig. 1 represents the total demand curve. The resultant price is px.

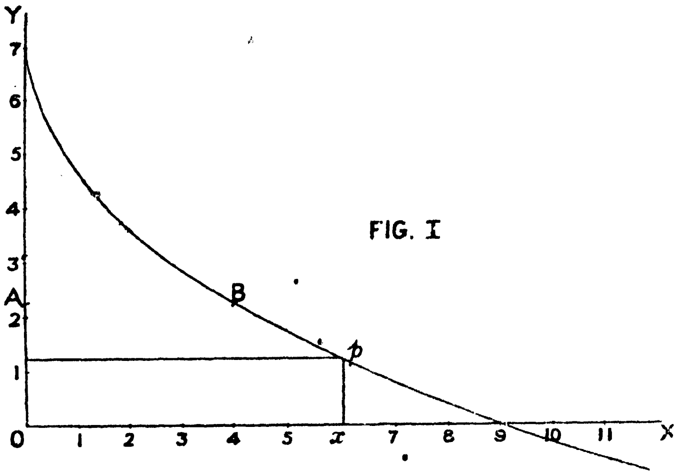

FIG. I

None of these data are altered in Fig. 2, but the demand curves of the possessors (collectively) and the non-possessors (collectively) are separated out from each other, as representing the conditions under which the market opens. Two different hypotheses as to this initial distribution of the stock are represented by the dotted and the continuous lines. But in each case, of course, the condition of preserving the data of Fig. 1 intact determines that at any price OA, the line AB (Fig. 1) shall be equal to the sum $Ab + ab'$ or $A\beta + a\beta'$ (Fig. 2). If this condition is observed, the intersection must be at the height xp, when AB or its equivalent sum in Fig. 2 equals Ox.

The dotted lines represent a market that opens with conditions nearer to equilibrium than those represented by the con-

tinuous lines; and in the one case only Ox' will change hands, whereas in the other Ox'' will do so. But this has nothing to do with the price.[1]

The curve of supply prices, then, is a mere *alias* of a portion of the demand curve. But so far we have only dealt with the market in the narrower sense. Our investigations throw sufficient light on the distribution of the hay harvest, for instance, or on the "catch" of a fishing fleet. But where the production is continuous, as in mining or in ironworks, will the same theory still suffice to guide us? Here again we encounter the attempt to establish two co-ordinate principles, diagrammatically represented by two intersecting curves; for though the "cost of production" theory of value is generally repudiated, we are still too often taught to look for the forces that determine the stream of supply

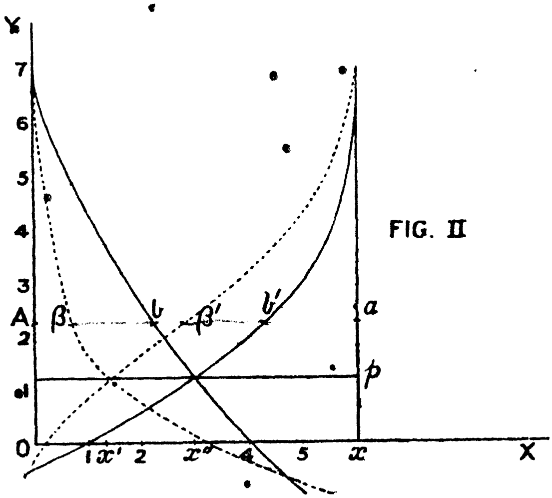

FIG. II

along two lines, the value of the product, regulated by the law of the market, and the cost of production. But what is cost of production? In the market of commodities I am ready to give as much as the article is worth to me, and I cannot get it unless I give as much as it is worth to others. In the same way, if I employ land or labour or tools to produce something, I shall be ready to give as much as they are worth to me, and I shall have to give as much as they are worth to others—always, of course, differentially. Their worth to me is determined by their differential effect upon *my* product, their worth to others by the like effect upon *their* products (or direct fruitions, if they do not apply

[1] For further details and the treatment of possible objections, see my *Common Sense of Political Economy*, Book II., ch. iv.

them industrially). Again we have an *alias* merely. Cost of production is merely the form in which the desiredness a thing possesses for someone else presents itself to me.[1] When we take the collective curve of demand for any factor of production we see again that it is entirely composed of demands, and my adjustment of my own demands to the conditions imposed by the demands of others is of exactly the same nature whether I am buying cabbages or factors for the production of steel plates. I have to adjust my desire for a thing to the desires of others for the same thing, not to find some principle other than that of desiredness, co-ordinate with it as a second determinant of market price. The second determinant, here as everywhere, is the supply. It is not until we have perfectly grasped the truth that costs of production of one thing are nothing whatever but an *alias* of efficiencies in production of other things that we shall be finally emancipated from the ancient fallacy we have so often thrust out at the door, while always leaving the window open for its return.

I now turn to some of the most obvious consequences of the differential theory of distribution. They are all included in the one statement that when fully grasped this theory must destroy the very conception of separate laws of distribution such as the law of rent, the law of interest, or the law of wages. It is by determining the differential equivalence of all the factors of production, however heterogeneous, that we reduce them to a common measure and establish the theory of distribution; just as it is by determining the differential equivalence of all our pursuits and possessions that we attempt to place a shilling or an hour or an effort of the mind where it will tell best, and so distribute our money or time or mental energy well. There can no more be a law of rent than there can be a law of the price of shoes distinct from the general law of the market. The way in which the several factors render their service to production differs, but the differential service they render is in every case

[1] I do not deny that, as we recede from the market and deal with long periods and the ultimate conditions on which nature yields her stores, cases may arise in which something like a "supply curve" seems legitimate. The terms on which nature yields increasing supplies of some raw material, for instance, can not legitimately be regarded as the reserve prices in which she expresses her own demand! But even here in the last analysis, and when we consider the enormous range of the principle of "substitution" and the pressures that determine the directions taken by inventive genius, I believe we shall be thrown back in all important cases upon modifications in the demands upon human energy and expressions of human vitality and their distribution amongst all the utilities and fruitions that appeal to them.

identical, and it is on this identity or equivalence of service that the possibility of co-ordinated distribution rests. So the economist, though he may begin by giving precision to the student's idea of *how* "waiting," for example, or tools, or mere command of "extension" in space, or manual skill, or experience, or honesty, may affect the value of the product, must end by showing him that their distributive share of the product depends not upon *the way in which* they affect the product (wherein they are all heterogeneous), but on the differential *amount* of their effect (wherein they are all alike). The law of distribution, then, is one, and is governed not by the differences of nature in the factors, but by the identity of their differential effect. With this searchlight we must scrutinise the body of current economic teaching, and must cast out the mischievous survivals that deform it.

On the present occasion severe selection and limitation is, of course, necessary, and I think we cannot do better than take up a few of the current phrases, or conceptions and diagrammatic illustrations connected with the phenomenon of rent. Antecedently we must expect that as there is no theoretical difference between the part played by land and that played by other factors of production (or more direct ministrants to enjoyment), so there can be no general assertion about rent and land which is at once true and distinctive; for, if true, it must be based on that aspect of land which expresses its function in a unit common, say, to capital, and which brings its differential significance, upon which all depends, under the same law; and therefore it cannot be distinctive of land.

Let us test the truth of these anticipations. Ricardo's celebrated law of rent really asserts nothing except that the superior article fetches the superior price, in proportion to its superiority; and it is obvious that all "superiorities" in land, whether arising from "inalienable" properties or from expenditure of capital, tell in exactly the same way upon the rent.

Again, a diagram may easily be constructed in which different qualities of land are represented along the axis of X and their supposed relative fertilities to a fixed application of labour and capital along the axis of Y. The "marginal" land will occupy the extreme place to the right. This is not a functional curve; for the height of y does not depend upon the length of x, the units being expressly so placed on OX as to produce a declining y. It is applicable to land or to anything else of which typical units can be arranged in ascending or descending order of efficiency.

But the same figure has been used as a functional curve in connection with the theory of rent. Take a given fixed area of land of a certain quality and consider what would be its yield if it were "dosed" with a certain quantity of labour and capital represented by a unit on the axis of X. Increase the doses till a further increment of labour and capital would not produce as large an increment in the yield of this land as it would if applied to some other piece of land of the same or different quality, or if turned to some non-agricultural business. The last increment actually applied is the "marginal" increment, and it measures the distributive share of a unit "dose" in the product. The figure and the details of the argument are too familiar to need elaboration; nor can I stay to show that such a curve ought really to pass through the origin, for important as the point is, it does not affect our present investigation; but it is essential to point out that the descriptive and the functional curves just described both present the same appearance, both represent "rent" by a curvilinear surface, both use the term "margin," though in entirely different senses, as determining rent, and are both just as applicable to anything else as to land, and (specifically) ignore the difference between "economic" and "commercial" rent, being just as applicable to one as to the other.

The ambiguous use of "marginal" has naturally caused some confusion (a point to which I shall soon revert), but at present the descriptive curve and "margin" have only been introduced to be dismissed. In the discussion of the functional curve, which we must now continue, I have used the term "marginal" in the sense of "differential" as applied throughout our whole investigation. It is not any peculiarity of the "marginal" increment that makes it yield less than the others. It does not. They all have exactly the same differential effect on the yield, as to which none is after or afore the other. The height of this differential or marginal yield is dependent not upon the nature of each several dose, but upon their aggregate number. What we have here, then, is not a law or theory of rent at all, but the tacit assumption that the differential theory of distribution is true of every factor of production except land, and that rent is what is left after everything that is not rent is taken away. For, observe, land-and-labour is treated as a homogeneous quantity, so that the reduction of heterogeneous factors to a common unit is assumed, and how is this to be done except by comparing their several efficiencies on the product, and so combining them as to keep those efficiencies in differential equivalence

to their market prices, *i.e.*, their efficiencies on other land or in other industries? And thus the principle of marginal or differential efficiency as determining distributive shares in the product has long been quite definitely, though naïvely and unconsciously, asserted in saying that the "marginal" efficiency of this compound factor of production will find the same level in the specified industry and out of it, and will determine its remuneration.

This so-called statement of the law of rent, then, assumes our differential laws of exchange value and distribution, with all their implications, as ruling everywhere *except* in land and rent. Rent is merely what is left when everything except rent is taken away. This can hardly be called a "law," but, such as it is, it is again common to all factors of production. Wages are all that is left when everything that is not wages is taken out. And this is actually the statement of Walker's "law of wages." And so with the rest.

But this is not all. In the treatment of rent that we are examining the differential theory of distribution is avowed with respect to every factor except land; but it is implied with respect to land also. This can be rigidly proved mathematically, as is now beginning to be acknowledged; and even the non-mathematical student can easily perceive that the forms of the figures representing the shares of "land" and "labour-and-capital" respectively are determined not by any peculiarity of land, but by the fact that land is supposed to remain constant, while labour-and-capital vary. But three pounds sterling applied to one acre is the same thing as a third of an acre coming under one pound's worth of culture, and five pounds per acre is a fifth of an acre per pound. Instead of taking an acre, therefore, and considering the difference of yield, as two, three, four, five pounds are expended upon it, let us take one pound and consider the differences of yield, as one-fifth, one-fourth, one-third, one-half of an acre come under it, or in other words, as it spreads itself over these different areas. You will then find that you have a figure in which the same identical data are presented and the same identical results obtained, but the return to land is represented as a rectangle cut off by a line parallel to OX, and the return to labour-and-capital by a curvilinear "surplus" or residuum. So that the supposed law of rent again turns out, in so far as it is true of land, to be true of all the other factors of production. But the unhappy confusion between the geometric properties of an arbitrarily selected constant factor in a diagram and the economic

properties of land has brought dire confusion into economic thought and economic terminology. The Augean stables must be cleansed. We must understand that when the differential distribution is effected there is no surplus or residuum at all; and that any diagram of distribution that represents the shares of the different factors under different geometrical forms is sure to be misleading, and is likely to be particularly mischievous in its misdirection of social imagination and aspiration.

And note, finally, that even in practical problems the supposed peculiar conditions introduced by the rigidly determined quantity of land in existence are non-existent. Any individual can have as much land as he likes if he will pay the price, and he is conscious of no difference in principle whether he is bidding for a certain quality and site of land, or a certain grade of labour or kind of ability, unless it be that in the latter case he is *more* conscious of the limits of supply that no offer of remuneration can stretch.

In conclusion, I will revert to the point, incidentally raised in connection with rent, of the difficulties and confusions connected with terminology.

I have throughout spoken of *differential*, rather than *marginal* significances; for there is a fatal ambiguity in the use of the word "marginal." And yet, after all, I have felt like the man who "did flee from a lion and a bear met him: or went into the house and leaned his hand on the wall, and a serpent bit him," for by a singular perversity of fate or fashion a closely similar ambiguity besets the word "differential" itself, and yet another and equally appropriate term "incremental." All these words have been preoccupied; and curiously enough it is speculations on the nature of rent or projects concerning land that have done the mischief in every case. "Increment," instead of suggesting a small homogeneous addition to any magnitude whatever, at once suggests to the reader of economic literature the "unearned increment of land," so that the "incremental value," "efficacy," or "significance" of anything cannot conveniently carry its proper meaning of the value attached to a small increment or decrement of anything, varying with the expansion or contraction of the supply. This is the conception I have indicated by the term "differential." But here again we are forestalled. "Differential payment," for instance, would generally be understood by readers of economic literature to mean payment made for some articles in excess of that made for others, in consideration of their superiority. Thus, if I were to say that "rent is a differential

charge," I should be supposed to mean that what you pay for a certain piece of land as rent represents the superiority of that piece of land to another that you can get for nothing. In this use of the word everything depends upon the different *quality* of the things compared. But what we want is a word which shall always carry the underlying assumption that we are considering the expansion and contraction of a *homogeneous* supply, the "differential" value of that supply being a function of its breadth or magnitude.

Again, the same theory of rent which regards it as a differential charge, in the sense of a charge due to an inherent difference of quality in the things charged for, assumes that there is some land which bears no rent at all. This is the land on the "margin" of cultivation. Hence "marginal" has come to be used in economic literature to signify the lowest grade or quality of any commodity, or service, or the least favourable set of conditions, that just hold their footing in any industry. Thus the marginal land would mean the worst land under cultivation, the marginal workman the least efficient man in actual employment, the marginal conditions of an industry the least advantageous conditions under which it is actually conducted, and, I suppose, the marginal grade of potatoes or wheat the worst quality actually in the market; or to the hungry individual the marginal mouthful of beef would be the one just not rejected and left on the plate because too largely composed of "veins" to be eaten, even if no more of any kind were to be had.

Now attempts have been made to erect a theory of distribution upon the consideration of "margins" in this sense. The "marginal" man, working on the "marginal" land, under the "marginal" conditions, and with the "marginal" appliances, is taken as the ultimate basis of the pile, and wages, rent and interest are explained as "differential" in their nature; that is to say, as due to the superiority in quality, position, or point of application, of such-and-such work, land, or apparatus, over the "marginal" specimens.

I do not stay to examine this theory on its merits; but it is necessary to insist on the almost incredible fact that there is constant confusion between it and what I have tried to expound as the "differential" theory of distribution, simply because they can both be described as "marginal," and the term "differential," though in quite divergent senses, may be introduced in the exposition of either.

Once again, then, if I speak of the differential or marginal

significance of my supply of bread and milk, and say that it depends, *ceteris paribus*, upon how many loaves of bread and how many pints of milk I take, I am supposing all the bread and milk to be of the same quality. And if I speak of the differential or marginal significance of labour in a particular industry, I am either speaking of a uniform grade of labour or of different grades reduced to some common measure and expressed in one and the same unit, and I mean the significance which such a unit has when it is one out of so many others like itself. Thus, in my use of the word, there is no ear-marked marginal unit, which is such in virtue of its special quality. Any one of 100 units has exactly the same marginal value; but as soon as one unit is withdrawn, all the remaining 99 have a higher marginal value; and when one is added, all the 101 a lower.

The only word I can think of free from misleading associations would be "quotal"; for *quotus* means (amongst other things) "one out of how many," and so *quotal* significance might mean the significance which a unit has when associated with such-and-such a number of others *homogeneous with itself*.

Here I must close these almost random indications of some of the directions in which I think that convinced apostles of the differential economics should revise the methods of economic exposition. For myself I cannot but believe that if this were accomplished, all serious opposition to the doctrine would cease, that there would once again be a body of accepted economic doctrine, and that Jevons's dream would be accomplished and economic science re-established "on a sensible basis."

It is impossible to exaggerate the importance of such a consummation. Social reformers and legislators will never be economists, and they will always work on economic theory of one kind or another. They will quote and apply such dicta as they can assimilate, and such acknowledged principles as seem to serve their turn. Let us suppose there were a recognised body of economic doctrine the truth and relevancy of which perpetually revealed itself to all who looked below the surface, which taught men what to expect and how to analyse their experience; which insisted at every turn on the illuminating relation between our conduct in life and our conduct in business; which drove the analysis of our daily administration of our individual resources deeper, and thereby dissipated the mist that hangs about our economic relations, and concentrated attention upon the uniting and all-penetrating principles of our study. Economics might even then be no more than a feeble barrier against passion, and might afford

but a feeble light to guide honest enthusiasm, but it would exert a steady and a cumulative pressure, making for the truth. While the experts worked on severer methods than ever, popularisers would be found to drive homely illustrations and analogies into the general consciousness; and the roughly understood dicta bandied about in the name of Political Economy would at any rate stand in some relation to truth and to experience, instead of being, as they too often are at present, a mere armoury of consecrated paradoxes that cannot be understood because they are not true, that everyone uses as weapons while no one grasps them as principles.

P. H. WICKSTEED

THE DEVELOPMENT AND CONTROL OF GERMAN SYNDICATES.[1]

AMONG the early recommendations of the German Syndicates, and one which did much to reconcile public opinion to their foundation, was the idea that they would be a safer alternative to a Trust Movement. They were to prevent the domination of capitalist fusions, especially by their preservation of the smaller works, which were included in the original Kartel agreements. It is true that Germany is still without Trusts of the American type. Separate capitalist combines do not yet rule the market; the method of contract, or Kartel method, is the characteristic feature of her industrial organisation. But within the Kartel important developments are now taking place, largely because of Kartel conditions of regulation. Were the great Syndicates to be dissolved, it would be found that the market was in the hands of fewer concerns than entered into the original agreements, and that some of them were large and complete "fusions" of capital.

As early as 1904 we find the view confidently held that the Syndicates would be "preparatory to the creation" of Trusts. "There are signs," it is reported, "that in the end the remaining Syndicates (after absorption of the smaller ones, such as has since taken place) will differ very little if at all from powerful industrial Trusts, the avoidance of which was the Syndicates' first recommendation in Germany." This tendency was greatly helped by the removal, in the new contract of the Coal Syndicate in 1903, of the condition that new participation in total output would be automatically allowed for each new shaft sunk by a mining company. After this date, the large concerns, which look for a more economical working on a bigger output, had to obtain this by purchasing smaller works and not by sinking new and unworked shafts. The result was that between 1905 and the end of 1907 the number of concerns in the Coal Syndicate declined by

[1] My facts are taken from the Consular Reports since 1904

over 20 per cent. We are officially informed in 1906 that the Coal and Steel Syndicates are only "forms under the surface of which important changes are taking place." Notable examples of this process were the union of the Phœnix and Hörder companies in 1907, with a joint capital of 62 million marks; and the later Gelsenkirchen amalgamation, which seemed to imperil the existence of both the Coal and Steel Syndicates. The former combine, including both iron and coal concerns, held the first place in the Syndicate for steel, and the fourth in that for coal.

This linking up of the two great Kartels, by the dominance of identical interests in both, has created a mutual dependence to such a degree that each Kartel has become interested in the continuance of the other. If the Coal Syndicate were broken up, the great unions in steel would dictate to the coal trade, and *vice versâ*. There would be a defensive scramble for integration. It was actually suggested in 1910 that the dangers to the market which would follow on the dissolution of either Syndicate should be averted by an amalgamation of them both. We should then have seen, on the German model, a sort of parallel to that continuity of industrial interests, from coal and raw iron up to finished steel products, which exists in the American Steel Trust.

"The present move in connection with the renewal of the Coal Syndicate is probably the beginning of a greater *dénouement*, and inaugurates a period, not too far distant, when neither the Coal nor Steel Syndicate will exist. It would be the beginning of a vast Trust arranged by the few leading concerns of the mixed type, which would thus end by being Americanised after a process of evolution through an essentially German system of syndication." And, a year later, "it is generally believed that these two Syndicates must stand or fall together." The question has been postponed by the renewal of the Steel Syndicate till 1916; but the Coal Contract will by then have expired also.

A more important and difficult question is involved in these developments. That is the question of the "mixed" works—integrations of coal and iron companies, having a foot in each Kartel—in relation to the "pure" works, which have only one product, coal, iron, or steel. This is *par excellence* the internal problem of the Syndicates, on which the recent discords are based. Important steps have been taken in the last few years. The whole matter is an interesting study of rival tendencies in industrial organisation, toward "vertical" as against "lateral" combination.

When the Coal Syndicate was founded in 1893, a dozen "mixed" works were left outside. They owned foundries as well as mines. But the competition of their surplus coal was so damaging that they finally agreed with the Syndicate to sell it at Syndicate prices, though of course there was no limit to their output, as they were outsiders. In 1898 ten of them agreed that the Syndicate should sell their free production for them.

But the dissension thus created—since the "mixed" sellers were not under the limitations of the Syndicated "pure" sellers—led to the termination of the Syndicate in 1903, two years before it was due. In the new contract of that year the mixed works were included, and some of the old "pure" mines had meantime been acquired by foundries anxious to get their coal at cost. Under the agreement, the advantage was all with the mixed works, which were allowed to reserve their own consumption, without restriction of its amount, and were given a large participation for their surplus, which the Syndicate sold. They got Kartel prices for their surplus, and their own coal at cost. They thus far deprived the pure mines (*i.e.*, the Syndicate itself) of a market for coal, and were also enabled to produce iron more cheaply than those other works in the Iron Syndicates which had to buy their own coal. But, of course, as members of Iron or Steel Syndicates, they sold their final product at the Syndicate price—just as if they had had to pay all the maximum expenses. It was a curious position, and led in both higher and lower Kartels to a prolonged discord. The advantage of the mixed works in the Coal Syndicate is shown by the fact that their total output, including own consumption, went up to 10½ per cent., against 1½ per cent. for pure mines. Of 13¼ million tons of mixed production in 1904, only 3½ million came into the hands of the Syndicate. The reservation became a "scandal," as we are informed, and some concession had to be made by the mixed works, which paid what amounted to a small fine on deficient supply to the Syndicate. It is to be remembered also that own consumption was free from the tonnage levy of 7 to 8 per cent., or Syndicate expenses, which therefore fell in greater proportion on the pure mines. The important (pure) Hibernia Company, on the Board of which the Government is represented, gave a warning that this state of things could not continue. And then came an appeal to the Courts of Law. The Syndicate tried to construe the contract of 1903, with its reservation privilege, as applying only to those concerns which were at that time mixed concerns. But a concern which had become mixed in 1904 by the purchase of a

foundry claimed the same rights, and won its case, both in the lower Court and, on appeal, in the Supreme Court. Obviously, therefore, any mine which felt the Syndicate restriction on its output had only to combine with an iron works, and could then increase its output almost as it liked. A premium was put on integration, the main danger to lateral combination. The success of the appeal to the Supreme Court bewildered the Syndicate, and made its organisation in some ways almost illusory. Integration spread, the Syndicate as such lost custom in the iron trade, and we learn that the whole concern threatened to burst—unless there were an alliance with the higher Syndicates, as we have seen. The whole thing was largely a natural result of the original Kartel idea of keeping alive the smaller mines, since this meant restriction on the larger ones, and this in turn drove them into the iron trade for the sake of their own economic expansion in the working of coal. In the coal famine of 1907–8, this reservation was responsible for much of the scarcity of market supplies. In 1909–10, of a total Kartel production of 78 million tons, the mixed works had 17 millions of own consumption reserved, and sold 21 millions to the Syndicate. As votes go by participation, they were a strong group. The concession finally made was that the mixed works were to have free consumption up to the amount of four times own consumption in the best quarter of 1907, the record year. For any reservation beyond that, which in usual times would be negligible, they were to pay 1·50 marks per ton to the Syndicate. The condition is all in their favour, and the mixed works are naturally extending in number.

The same controversy appears in the Iron and Steel Syndicates. In 1908 it led to the dissolution of the Raw Iron Syndicate, which has since been reorganised. The trade was in two hostile camps, and the mixed works ended the contract, since as steel producers owning their own iron they wished iron prices to be high, while the pure works wished to reduce them in the falling market. It is the same in the Steel Syndicate itself. Here we are at the top of the process. The finished steel products are too various to be fully Syndicated; and the pure finishing works find themselves unable to compete at home or abroad with the mixed works which get raw steel from works of their own. They suffer even by the re-import of German raw steel, dumped abroad by the Syndicate, and brought back as foreign finished goods. Pure steel works are now getting scarce. My last information is that they appealed to the Government for a

remission of duties on iron and half-finished steel; and that a resolution was moved in the Reichstag to give the exporting pure works duty-free import of such materials as are represented in their export. I do not know the fate of this resolution, but, as will be shown later, concessions were for a time made by the Government on its import railway tariff for coal. Like the Coal Syndicate, the Steel Syndicate has attempted to deal with the "mixed" problem by a fine on "insufficient delivery" to the Syndicate.

Other extensions of the method of integration have taken place. The Coal Kartel has now brought in the water carriers on the Rhine, giving them participations in the trade, with the result that rates for water-borne coal have gone up nearly to those for rail carriage. It has also, like the American Trusts, entered in a more complete way into the distributing trade. It has, since 1903, been developing its local agencies, by division of its uncontested areas into Kontors, of which the large dealers in each area become joint members with the Syndicate, on a participation in sales reckoned on the basis of the previous three years. The selling area and profit of each dealer are limited, and the Kontors may also sell direct. The dealers must recognise the usual Kartel discriminations of price according to quantity taken, the use to which the coal is to be put, and the "all or none" condition. Each dealer must subscribe to the Kontor capital at the rate of 75,000 marks for each 50,000 tons of participation in sales. The Kontors pay a dividend of 13 per cent., and are now placed at Berlin, Dortmund, Bremen, Mulheim, Kassel, Hanover, Magdeburg, Kiel, and Hamburg. They are paramount in their districts, and have brought the existence of the Kartel home to the local trade. The dealers will soon lose any definite *clientèle*, and will simply wait for orders from the local office. Steel Kontors of the same sort have been in contemplation. One recalls the use which has been made of such local agencies by the Trusts, in having competitive trades watched and hampered, and the title of Mr. Norris's book, *The Octopus*.

The development of the export bounties has been another feature of the last few years. Bounties of this kind have been privately paid by the producing interests in Germany for at least twenty-five years, but they were organised into a system by the Coal Kartel (1893) and the Steel Kartel (1904). The Clearing House at Dusseldorf was established in 1897. Through this office the Syndicates settle their balances with each other. The whole

matter is enveloped in secrecy, and only a few main facts can be given. The purpose was at first to make up to exporters the difference between home and foreign prices, and enable the export to continue freely, in order to keep the home market steady at Syndicate prices. The continuance of this policy has been placed since then on different grounds. The foreign connection must be kept—whether in a boom at home, when the export might otherwise fall off, or in a depression abroad. Thus, even in the coal famine of 1907, the Kartel kept on exporting, and bought British coal. Sometimes the expressed aim was to enforce Syndication, since the bounties were paid either to Syndicates on behalf of their members, or later to individual Syndicated firms. Sometimes it has been to meet the "moral claim" of the pure finishing industries, which have to pay Syndicate prices for their materials, which may be sold more cheaply abroad. In 1908 the bounty took the place of the low State export railway tariff, which was then suspended. There has been great irregularity in the pursuit of the system. In 1897 it was 1·50 marks per ton on coal, 2·50 extra on raw iron, 6 extra on half-finished goods, and 5 extra on finished goods—15 marks in all, paid in one sum by the highest Kartel involved, and recovered from the lower Kartels. The maximum rates seem to be those of 1905, amounting on certain finished goods to 20 marks, and these appear to have been renewed in 1913. The bounty is calculated on the estimated amount of each product which has been consumed in the manufacture of the export. The rates have been reduced, increased, or suspended according to market conditions. But they are generally high enough to be of great competitive advantage abroad. I am informed by one English firm that they are beaten by 10 per cent. on their lowest possible tenders of finished goods because of the bounties. The bounties show in a remarkable way the realisation by each Syndicate of its common interests with other producers in the stability of German export trade.

What has the Government been doing in view of these complicated industrial changes? The reply shows various attempts to hold the Syndicate in check. A public inquiry into the Kartels was the first step—I think in 1904—but the Secretary of the Commission, having gained much privileged knowledge of Kartel affairs, was offered and accepted a post under the Coal Syndicate. The inquiry was at that time, as was also public opinion, favourable to the Syndicates. The position of the Government was that it owned fiscal mines in the Saar district,

where it is the largest producer, and others in Westphalia, but in Westphalia it operated only one mine, the Gladbeck, which remained outside the Syndicate in 1903. Less than 15 per cent. of the whole German output was fiscal, but in the Saar district it was 90 per cent., and in Silesia 20 per cent. The Secretary of State for Commerce was offered a right of veto on Syndicate prices, but declined the responsibility.

Then came the curious proceedings regarding the Hibernia mine, one of the largest in the Kartel. The Government sought to get hold of it, by secret agreement with the Dresden bank to buy up more than half of the Hibernia shares. These purchases put up the value, by the sympathy of the market, of mining shares generally. The Hibernia directors began in defence to issue new capital. The Government then offered to buy at 240, but this, on becoming known, raised opposition in the Kartel, and the offer was rejected. The Government then held 23 out of 53 parts of the shares, but the capital was increased to reduce its percentage. Its holding, however, gives the Government a place on the Board. Open dealing in Hibernia shares was stopped, since both the "Treasury and its opponents" wished to hold fast. About the same time the Government acquired a mine in the Potassium Syndicate, and the Board of the Syndicate is presided over by a representative of the Prussian Treasury. This, I believe, is because of the special importance of the product to the agricultural industry. A moderate price policy has been adhered to, so that the prices fixed originally cannot be raised without the consent of the Secretary of State.

A private Bill was introduced in 1908 for the regulation of Syndicates. A bureau was to be formed for registration and statistics. But the Government defeated this by showing a Report on the development of combination abroad, to the effect that "neither the withdrawal of legal protection, as in Austria, nor the absolute illegality of Syndicates, as in France, had either stopped their formation or reduced their number."

Then some negotiations began in 1911, continued in 1912, whereby the Government as a coal producer was to be more closely concerned in this Syndicate. When internal dissensions were threatening the existence of the Kartel, the Secretary of State announced that the continuance of the Syndicate was desirable, in order to prevent a great market disturbance, and that the Government was ready to come in as a member on conditions, perhaps as in the Potassium Syndicate, perhaps as a participant

if the Saar mines were included. We find that in 1912 public opinion prevented the fiscal mines from joining the Syndicate, merely in order to get a higher price and a larger revenue. But a price agreement was reached, by which all Government production in Westphalia and the Rhine provinces was to be sold by the Syndicate, the Government thus getting a rise of one mark per ton for industrial coal. It is not to be assumed from this that coal prices at the fiscal mines had always been lower than those of the Syndicate. We find that in some years, *e.g.*, 1906–7, they were higher, and little was being done by public production to counteract the *régime* of high prices, spite of appeals to the Government and cheap sales abroad. It was not till 1909 that the fiscal mines led the way in reduction, and the Kartel followed suit. The Chamber of Commerce of the Saar district reports in one place on the grievances of the district against the fiscal mines. Public production was not in itself a solution of the problem of either the level or the steadiness of price; but nothing can be inferred from this regarding nationalisation as a policy, since public ownership in Germany is partial, and not free of competitive problems. The action of the Government in other ways as regards Syndicates is somewhat compromised in view of its own interests as a producer.

Another power lay in the hands of the Government as owner of the railways. It has always been ready to grant special import duty rates on goods—such as ship plates—which were thought to be of national importance, if there seemed to be danger of monopoly at home. And in the coal famine of 1907–8 it decided to remove the special low export rates for coal and also reduce the rates for imported coal, thus striking in two ways at dearness at home. The position is peculiar, in view of the Government's own mining interests, and the high prices it was charging. The rate on import had been of great use to the Syndicates, giving them some of their "undisputed" areas. But we find that in 1910 the special import rate was abolished, and the old rates restored in view of British competition.

Still another and very drastic method of regulation was adopted by the enactment in 1905 of the Gamp Law. No *new* permissions for prospecting of coal or alkali were to be given for two years till a new mining law was prepared. The old mining prerogative of the Crown had been abolished in 1865, and free mining rights given to all in order to develop the industry. But the idea in 1865 was a free competition of mine-owners. Combination abolished this prospect, and the combines in coal, metal, and salts had also, in view of the

expense of boring operations, a monopoly of prospecting. The great combined concerns obtained claims and held them against the future, with no intention of immediate working. Judicial decisions had so extended the Act of 1865 that a prospector could secure claims up to 25 maximal fields, or 5,750 hectares, in one district. It was necessary to show only that there was no prior claim, and that the materials existed in sufficient quantity to warrant mining.

The new law secures for the Treasury what is left of coal and alkali fields, and reintroduces the old prerogative of the Crown. It was hoped that the Government would thus be able to extend working and keep down prices. In 1907, under this law, the State had secured for itself 250 maximal fields, after its failure with the Hibernia. At the beginning of 1908 it got power to raise a loan of 2¾ million (sterling) for the sinking of shafts in the Westphalia district. By the end of 1910 it had fully acquired these 250 fields, so that its holding was first in extent in the lower Rhine provinces. But it is impossible to say what is the quantity and quality of the coal, as only a few shafts are working. And it is a question if the Government will really work the district or only hold the areas in reserve.

I cannot find that a Syndicate problem of this nature exists in other industries in Germany, nor is there any mention of the Syndicates in our Austrian Consular Reports. It is in the coal, iron, and steel industries of Germany that this type of organisation is working out its problem.

D. H. MACGREGOR

THE INDUSTRIAL CREDIT SYSTEM AND IMPRISONMENT FOR DEBT.

It is not easy to say whether the working man buys more or less on credit than formerly. On the one hand, the County Court Annual Returns have been showing for the last five years a continuous decrease in the number of cases. In Birmingham last year we issued 16,000 fewer summonses than in 1905, and here certainly, and elsewhere probably, this decrease is attributable entirely to the smaller number of summonses issued against the working classes. But whilst it is certain that many working men now buy for cash what they used to buy on credit, it is also true that improved methods of status investigation have enabled creditors, especially in the drapery trades, to collect more accounts without recourse to the Court; and most of the large local credit traders report an increase in the number of their transactions. On the whole, however, taking account of the large increase in the industrial population, of which Birmingham is the centre, I believe that here, at least, the credit system is declining. This is probably also the case elsewhere, as in most industrial centres co-operation is further developed and large cash emporiums better patronised. At the same time, here at least I have little doubt that 70 per cent. to 80 per cent. of the working-class families still supply their requirements on credit.

As regards the first item in a working-man's expenditure, viz., grocery, there is no doubt that he pays cash far more than he did ten years ago. There are now 200 multiple grocers' shops in Birmingham which deal for cash only, besides co-operative societies aggregating 27,000 members. The small credit grocer is getting squeezed out, and the credit customer deals generally with the huckster's shops—of which there are some 4,600 in Birmingham. They form a favourite investment with the working man, who is induced to lay out his savings in the purchase of such a business on the representation that it is a little gold-mine, which can be easily worked by his wife. Of course, some succeed;

I am confident, however, that in the great majority of cases they prove a bitter disappointment to the purchaser. Being without capital, he drifts into the hands of one wholesale grocer to whom he always owes £15 or £20, a far larger sum than he can pay, the grocer thus securing the custom and preventing any disputes as to prices. The persons supplied are a shifting population, and though nominally the account is a weekly one, no proper check is kept upon the amount of credit given so long as a small weekly payment is made, and frequently after a few months the business is sold by an agent, if a purchaser can be found, or, otherwise, closed. As the people are mostly too ignorant of legal procedure to know how to get in their book debts, the purchase and collection of such debts has become a regular trade, the price paid varying from 25 per cent. to 40 per cent. of their face value.

The next weekly item is coal. This is sold in hundredweights from bag wagons which go round the streets, and at small coal-yards, which provide the loan of a wheelbarrow to enable the purchaser to convey it to his house. This trade is in the hands of small people who deal mostly for cash, but to some slight extent for credit also. Some of the coal merchants also supply loads of about a ton on the weekly-payment system, one Birmingham firm dealing annually with about 9,000 customers on these lines. Of these, about two-thirds pay their instalment regularly, whilst of the remainder, 1,000 are worth suing, whilst the accounts of the rest have to be written off as irrecoverable for various reasons.

The bulk of the credit trade with working men is done in wearing apparel and household requisites. This class of trade was first developed by the Scotch draper, who created a round—that is, worked up a trade among the residents in a particular district on whom he called weekly with a stock of goods. There was a good deal of this trade here some years ago. I believe the articles supplied are usually good in quality, but from time to time I have heard a great deal from defendants about the difficulty of getting rid of the man without making some purchase, which in many cases caused a woman to allow him to leave an article she did not want. To-day, as far as Birmingham is concerned, it is not nearly so flourishing, though its continued popularity in some parts of the country is sufficiently evidenced by the fact that the book debts in some of such rounds in Yorkshire have recently realised by auction the surprising price of 32*s.* in the £. The place formerly occupied here by the Scotch draper

is now principally filled by large trading companies. Most of these deal in all articles of clothing and household requisites, frequently, in addition, having side-lines of jewellery, &c. The method is to appoint agents, sometimes people working in factories, sometimes women without other occupation, sometimes insurance canvassers. The agent's duty is to get in touch with prospective customers, and issue to such as he may think likely to pay, a check for 20*s*. or 30*s*. A large stock is kept at the shop, and the customer calls there and selects the articles he requires to the amount of the check. Subsequently, the agent calls at the customer's house for the weekly instalments, which vary from 1*s*. 3*d*. to 1*s*. in the £. Other firms have no shop, but distribute small stocks and catalogues among their agents. Within the last few years a new method of trading has been devised by a company that carries no stock and supplies nothing, but issues checks for 20*s*. and multiples thereof, which entitle the holder to obtain goods from any one of many large shops, the advantage held out being that of buying in the cheapest market after comparing the prices of different firms. Many thousands of these checks are handed out in Birmingham every year. One shilling is charged for the check, and the amount is collected by weekly instalments of 1*s*. in the £. The large firms limit the credit given to each individual to 40*s*., except in special cases, whereas formerly it was no uncommon thing for the Scotch draper to allow an unskilled labourer to run up an account of £10 or £12. I hear very much less also of goods being pressed upon people who do not want them. It has been realised that it is not good business to cultivate a class of customer who resents the methods by which he is induced to buy, and allows his feelings on this subject to overcome any moral sense of obligation to pay his debts that he may originally have had.

Some investigation is also made into the status of the customer. A black list is kept not only of individuals, but in some cases of streets, in which experience shows that a credit trade cannot be profitably conducted. In spite of all their efforts these firms are of course victimised to some extent. I heard only lately of a case where a woman had succeeded in obtaining goods from the same firm under no fewer than thirty-nine different names. There is another risk they necessarily have to run. The orders are usually taken from the wife as the presumed agent of the husband. Occasionally, however, her authority is subsequently questioned by the latter on the ground either that the goods were pawned, or never used in his house, or that he supplied her with a sufficient

weekly allowance, and forbade her to pledge his credit. In such cases, even if judgment has been already obtained, a new trial is always granted to a man who applies as soon as the facts come to his knowledge, and I should think I have, as Registrar, to decide every week at least one case involving this question. If, as frequently happens, the husband is held not to be liable, the creditor is left without remedy. He could, of course, sue the wife, but, inasmuch as by a ridiculous legal fiction any contract made by her is not personal, but on behalf of some non-existent entity known as her separate estate, he cannot utilise the Debtors Act to enforce his judgment.

In addition to the large firms there are, of course, the ordinary small draper with a shop, the small boot dealer, who, as a rule, has no shop, and the small tailor who carries on business with merely a pattern book, and who, having obtained an order, sends on his customer to a large house to be measured and have his suit made. There is also a large trade done by women in second-hand clothing, in which, however, as a rule the dealings are for cash.

I have found it very difficult to get any information as to the furniture trade. Two or three of the large general merchants and many smaller firms have taken it up and are doing annually from 3,000 to 4,000 transactions each, the instalments being 3*d.* in the £ per week. It seems, however, to be admitted that the bulk of this trade is in the hands of large London firms who open shops in the various provincial centres under different titles. You may see one firm's walking advertisement with the legend, "You marry, we do the rest," an invitation which seems to be readily accepted. All agree that the hire-purchase system continues to spread. Not only furniture, but also pianos, gramophones, sewing-machines and bicycles are sold on this system.

There are two other trades which are perhaps worth mentioning. One is the curious trade in personal jewellery, which is conducted in the public-house bars; and the other the book-selling trade. One would have thought that in these days of universal free libraries and 4½*d.*, 6*d.* and 1*s.* editions of everything, there would not be much market among the working classes for expensive books, but a ready trade appears to be done in "The Household Guide," "The People's Physician," "The Police Encyclopædia," "The History of England," and a considerable number of other works published in four to twenty-five volumes at prices varying from 30*s.* to £5 5*s.*, payable about 8*s.* a month.

I suppose there is no greater public misconception about any

trade than that of the money-lender. From the accounts appearing in the paper from time to time one would be led to suppose that the trade was entirely composed of rapacious harpies, and, in fact, an Act of Parliament was passed in 1900 to protect the "unfortunate and helpless" borrower from their extortions. This Act has proved almost entirely a dead letter, because of the views judges have taken as to what is "harsh and unconscionable," 40 per cent., 60 per cent., and even 100 per cent. interest per annum have been held to be neither the one nor the other. It would probably be a surprise to them, and, indeed, to most people, to learn that the working man can borrow small sums from professional money-lenders at rates of interest which vary from 10 per cent. to 20 per cent. per annum, without any security except a note of hand signed by himself and two sureties. For a loan of 50*s.* a promissory note for £2 15*s.* has to be signed, payable 1*s.* a week, and £5 and £10 can be borrowed at the same rates. Other loan companies require a promissory note for the same sums, payable 2*s.* a week. The large money-lending companies in Birmingham deal in the aggregate with about 10,000 transactions in the year in loans of £3 to £10, but the volume of business of this character has diminished in the last five years by about 20 per cent. In addition to these companies there are, of course, the usual number of "private gentlemen," "well-known tradesmen," and "capitalists," who lay themselves out to lend money to working men. Their terms are in most cases far heavier than those above mentioned, sometimes £7 10*s.* having to be repaid for a loan of £5. Below these, again, is the working man or woman who makes a trade of lending money to those working in the same factory. They deal mostly in short loans, usually for a week, and the interest charged varies from ½*d.* to 2*d.* in the shilling for that period. The proportion of cases where the ordinary trader has to issue process varies from 5 per cent. to 12 per cent. of his credit transactions, whilst in money-lending cases the proportion varies from 15 per cent. to 20 per cent. The defendant is summoned to appear on a certain day, and this summons can be, and in the case of the working man usually is, served on some adult member of his family. On the day of hearing, any discrepancy in the account is adjusted, and an order for payment is made by monthly instalments, the amount of which is usually agreed between the parties either prior to or at the hearing. If not, it is fixed by the registrar on such evidence of the debtor's means as he can get. Unfortunately, a defendant cannot see that his interest is to pay the largest instal-

ment he can afford, and thus get rid of one order altogether before he is called upon to pay others. He always devotes his efforts to getting the instalments fixed at the lowest sum possible. The amount for which judgment is obtained is comparatively unimportant to him, and he frequently consents to judgment for a larger sum than he thinks he owes in consideration of the instalment being fixed at an extremely low figure. So long as the instalments are paid, no other steps can be taken under the judgment. On default the creditor has two remedies. He can either have the debtor's goods seized, and, if necessary, sold by the Court to realise the full amount of his judgment, or proceed under the Debtors Act of 1869 in respect of the unpaid instalments. The first process is by no means satisfactory as against a working man. Frequently it proves entirely abortive, as the goods turn out to be on hire or are claimed by some other member of the family, or are not of more value than the amount due for rent. It is also a wasteful one, as, if it becomes necessary to sell, a lot of furniture, which a man may have paid £20 to get together, may fail to realise more than £2 under such circumstances. It breaks the spirit of the debtor by depriving him of his home, and is a real hardship where, as happens in far too many cases, his wife has kept all knowledge of the summons from him until he comes home and finds his goods seized. For these reasons the majority of creditors in working-class cases prefer to proceed under the Debtors Act in every Court where there is a possibility of obtaining a commitment order. Section 5 of this Act enables a judge to commit to prison for a term not exceeding six weeks, any judgment debtor on proof that he has or has had since the date of the judgment the means to pay the amount in respect of which he has made default, and has failed to do so. A creditor desiring to pursue this remedy must issue a judgment summons, which must be served personally on the debtor. This is heard by the judge, who, if satisfied with the evidence given before him as to the debtor's means, makes an order committing him to prison, the order being invariably suspended so long as he pays the amount by a small monthly instalment, usually considerably lower than that fixed by the registrar on the original hearing.

At first sight there seems to be no very glaring injustice in ordering a term of imprisonment for a man who can pay, but will not; but, as is well known, an agitation for the repeal of the Act has been in progress for many years. In 1908 a Select Committee was appointed to consider the subject, and they recommended that no commitment orders should in future be made in

respect of money lent or goods supplied other than for trade purposes or necessaries. In my view, these recommendations are both impracticable and unjust. As most tradesmen who cater for working-class requirements supply both necessaries and luxuries, and as a particular article may be the one or the other according to the circumstances of the purchaser at the moment, the idea of dissecting such accounts months or years after they are incurred into their component parts, and allocating a certain proportion of the instalments paid to each of such parts would be sufficiently impracticable, even if the parties attended in every case and assisted; but considering that, unless there is some dispute, the actual debtor is rarely present in Court, such an investigation would be wholly impossible. The injustice of the proposition is also to my mind obvious enough. Admitting, as the report does, that until the majority of working men can be induced to save, credit is at times absolutely necessary for them, it is clear enough that the first necessary for a man who is out of work is money. It is better for him to borrow from a respectable money-lender than be reduced to pawning or selling what he requires for daily use. Further, working people frequently find money for their friends' rent, and sureties have to pay loans when borrowers cannot or will not. Under the Committee's proposals all these creditors are practically left without any redress. Personally I do not see any intermediate course between allowing the Act to remain in force and repealing it altogether, if we can afford to do so. In this connection it is material to consider to what extent in this country legal pressure is necessary to obtain payment of debts about which there is no dispute. I sometimes hear the County Court referred to in rather contemptuous terms as a mere debt-collecting machine, but the fact appears to be overlooked that this is the primary object of every Civil Court. Incidentally, such Courts decide whether a defendant's reluctance to pay is founded on any reasonable grounds, but the proportion of cases where judicial assistance is required for the determination of this question is only 4 per cent. in the High Court and 2 per cent. in the County Court. From the Civil Judicial Statistics for the last available year, 1911, may be gathered the extraordinary fact that proceedings were initiated in no fewer than 1,174,000 cases which never came before a judge at all. The overwhelming majority of these cases were undisputed debts which debtors were incapable of making the necessary effort to pay without legal pressure. In some the mere issue of process was sufficient to produce the necessary result;

in others further steps had to be taken. It is, however, quite obvious that the efficiency of legal pressure depends upon the sanction behind it. At present it rests, as above stated, on the double basis of execution and the Debtors Act. As the hire-purchase system increases among all classes of people, the former becomes every year a less effective remedy, and one which has long ceased to have any terrors for an increasing portion of the population. Before we deprive ourselves of our only alternative remedy by repealing the Debtors Act, it would be, perhaps, as well if we knew what we are going to put in its place. At present I have heard no suggestion on this point.

When all this has been said, however, it is admitted by all who are conversant with the working of the Act that there is a real grievance in its administration. It is the fact that the number of persons actually imprisoned, though it has diminished steadily from 12,014 in 1906 to 5,840 in 1912, is still largely in excess of what it ought to be, or would be if the Act were properly and reasonably administered according to some recognised system universally enforced. Some useful suggestions as to this were made by the Committee, but the results on the different circuits are as varying as ever. For many years special attention to this question has been given by the judges of the Birmingham Court. The special methods adopted there in the administration of the Act so as to prevent people going to prison under it are, perhaps, of too technical a character to be of interest, but the result has been that the number of prisoners here has dropped from 810 in 1905 to 59 during the past year, and of these only 15 served the full term, which on this circuit is twenty-one days for a man and eight days for a woman. The real test of the working of the Act is, of course, the proportion of persons against whom commitment orders are made who have ultimately to serve the full term of imprisonment. This proportion in Birmingham, ·3 per cent., is the smallest on any of the circuits embodying large industrial populations. In some of the others, indeed, the percentage is more than ten times as great. If the same steps were adopted elsewhere, and with the same results, the number of full-time debtors throughout England would be reduced from 4,170 to 633. In that case the grievance against the Debtors Act would entirely disappear, and we should be within sight of what I believe to be the ideal in this respect, viz., a retention of the power of imprisonment for debt, while at the same time preventing debtors from going to prison.

W. H. WHITELOCK,

Registrar of the Birmingham County Court.

THE ECONOMIC ACTIVITIES OF MODERN JEWRY.

Dispersed throughout all the lands of the earth, the Jews are found among the followers of nearly every occupation, but they show a particular predilection and capacity for certain branches of economic activity which can be traced to definite factors. They are represented in the largest numbers in commercial pursuits and domestic industries, owing partly to historic influences and partly to religious requirements. From the downfall of Judæa in the first century until the beginning of the nineteenth century the Jews, who had for centuries lived by tending their flocks and tilling their soil, were, with insignificant exceptions, strictly debarred from the land, which they could neither buy, rent, nor cultivate. They were thus early forced to choose between trading and manual labour. Thanks to their dispersion in the various countries around the Mediterranean, and the feeling of racial solidarity that united them, they had exceptional facilities for engaging in international trade; whilst the adoption of handicrafts was fostered by the example of the Rabbis themselves, who made it a rule of life to combine the study of the Torah with the pursuit of a secular calling.[1] The legislation of the Middle Ages, which confined the Jews to special quarters, excluded them from the trade guilds, and allowed them to deal only in money and merchandise, inevitably forced the great majority into commerce, in which, aided by wits sharpened by ages of Talmudical dialectics and by the very struggle for existence itself, they developed special capacities and achieved considerable success.

The influence of the religious factor in determining the choice of occupation is seen in its earliest and simplest form in the callings necessitated by the requirements of the community, namely, those of the baker, the butcher, and the dairyman, who had to provide bread, meat, and milk conforming with the strict regulations of the Jewish law, as well as those of the functionaries

[1] Mishna, *Pirke Aboth*, ii.; Graetz, *History of the Jews*, Vol. ii., p. 471.

attached to the synagogue, the Rabbi, precentor, teacher, and beadle; but the effect of this influence upon the masses of the population did not show itself prominently until the latter half of the nineteenth century in their preferring domestic industries to factory labour, so as to be able to observe the sanctity of Sabbaths and festivals undisturbed. The abolition of the Ghetto and the removal of mediæval restrictions resulted in an appreciable diminution of the numbers devoted to commerce and an increase of those engaged in industries and handicrafts, whilst there was also a gradual return to agriculture both in the Old and the New World. The political emancipation of the Jews also threw open to them the liberal professions and Government service, which are attracting an increasing proportion every year, particularly in Western Europe and the United States. At the present day, therefore, it may be said that the Jews are found in all the main departments of the economic world and in most of their subsidiary branches.

The main sphere of economic activity in which Jews have been engaged is that of commerce in all its forms, whether as wholesale or retail traders, bankers, or financiers, shippers of trans-oceanic trade or carriers of local wares, war contractors or dealers in old masters, founders of newspapers or organisers of international exhibitions. Professor Werner Sombart has recently written a portly and learned volume,[1] in which he emphasises and illustrates the influence of the Jews upon the economic progress of modern nations, and describes how they quickened international and colonial trade, financed Governments, and developed and perfected the commercial and financial instruments of modern economic life. He maintains that the centre of trade was transferred from the south to the north of Europe in the sixteenth and seventeenth centuries in consequence of the expulsion of the Jews from Spain and their migration into Holland, Germany, and England, but his proofs of this contention are inadequate, and it is more likely that the Jews simply developed and profited by the commercial opportunities which they already found in these lands. It is less disputable, however, that they held the biggest portion of the Levantine trade in their hands from the sixteenth to the eighteenth century, and took a prominent part in bringing the commodities of the Indies to Europe; that they established the importance of the Leipzig fairs and were the first to exploit the

[1] *Die Juden und das Wirtschaftsleben* (Duncker & Humblot, Leipzig, 1911).—An English translation, somewhat abbreviated, by Dr. M. Epstein, has been published under the title of "The Jews and Modern Capitalism" (Fisher Unwin, 1913).

trade in precious metals; that they had a considerable share in founding the British colonial trade and in promoting the economic development of the American Commonwealth; and that with the advance of the present capitalistic era they instituted the bill-exchange and stock-exchange and popularised the company share, the banknote, and other negotiable instruments of modern commerce. The "industrial awakening of almost the whole interior of Cape Colony" in the early thirties of the nineteenth century was due to Benjamin Markus and Simeon Norden;[1] the wool and hide trades and the mohair industry in South Africa were established by the Mosenthal brothers, and the whale and fishing industry by the De Pass brothers; Joel Myers introduced ostrich farming, whilst the Albus, Barnatos, and Ecksteins played a prominent part in the development of the diamond and gold mines. One of the most romantic episodes in the colonisation of South Africa was the creation of Nathanial Isaacs in 1828 as Chief of Natal by Tchaka, King of the Zulus, who presented him with a great tract of the country extending 100 miles inland from the sea in return for his services in subduing a hostile tribe. In more recent times Jews have distinguished themselves by creating the department stores, particularly on the Continent and in America,[2] and by attaining a prominent position in the art-dealing world of Europe.[3]

The success of the Jew in business has prompted various theories as to its origin. Professor Sombart has evolved the fanciful idea that the Jew owes his commercial aptitude to the influence of his religion, which he regards as dominated by rationalism; but Dr. Ruppin and Dr. Zollschan[4] are nearer the truth in declaring that the Jew has no specific business capacity, but that his general intellectual equipment finds a fertile field of activity in a vocation demanding mobility and originality of thought and promptness of action, and that it is by virtue of the same mental qualities that he has distinguished himself in politics, law, medicine, and chess-playing. The Jew is of a speculative and calculating turn of mind; he is quick to comprehend, and he has enterprise, initiative, and foresight; he is a keen competitor, a hard bargainer, a capable organiser, and has known how to develop and utilise the art of advertisement: all attributes of supreme value in the commercial struggle. He is, moreover,

[1] *Jewish Encyclopædia*, xi., p. 476.
[2] Wertheim and Tietz in Germany; Macy and Rosenwald in America.
[3] Duveen, London; Seligmann, Paris; Heilbronn, Berlin; Hirsch, Vienna, &c.
[4] See Dr. Zollschan's criticism of Prof. Sombart's theories in the preface to the 3rd edition of *Das Rassenproblem* (Wm. Braumüller, Vienna and Leipzig, 1912).

endowed with perseverance and readiness of resource; he can adapt himself to the whims of fortune and quickly change from one line of business to another, and even from one occupation to another, in the determination to advance. He has established a secure, if not everywhere prosperous, position in the business world, though he has a match not only in the Greeks and Armenians, who are born traders, but also in the Americans and the Scotch. But although the Jew has acquired the reputation of being the personification of the commercial spirit, he is sometimes quite shiftless and helpless, failing miserably in everything he undertakes as though pursued by some mocking sprite, and good-humouredly nicknamed by his brethren a *Schlemiel*.

One half of the Jews in Germany and Italy are engaged in commerce, and in Austria and Russia over two-fifths.[1] To proceed to detail, in Germany 50·35 per cent. of the Jews are engaged in commerce and transport as compared with 13·41 per cent. of the general population; but whilst they formed 10·5 per cent. of the entire commercial class in 1895, they are now only 7·9 per cent. In Italy 50·35 per cent. of the Jews are engaged in business, as compared with only 8·32 per cent. of the general population. In Austria as a whole the percentages are 43·7 and 8·3 respectively, while in Galicia, where there is a dearth of industries and the staple occupation is agriculture, the Jews practically monopolise trade, forming 91·2 per cent. of the dealers in merchandise in East Galicia, and 81 per cent. in West Galicia, 85·3 per cent. of the brokers and agents in East Galicia, and 66·3 per cent. in West Galicia. The great majority of these, nevertheless, are

[1] Complete occupation statistics of the Jews are available for these four countries and to a limited extent for Roumania. The figures given here are taken from the following sources, the years after the country being the date of the census:—(*a*) Germany (1907): *Die beruflichen und sozialen Verhältnisse der Juden in Deutschland*, by Dr. J. Segall (Berlin, Max Schildberger, 1912); (*b*) Italy (1901): *Zeitschrift für Demographie und Statistik der Juden*, Jan., 1905 (Berlin): (*c*) Austria (1900): *Die Juden in Oesterreich*, by Dr. J. Thon (Berlin, 1908); (*d*) Russia (1897); *Die sozialen Verhältnisse der Juden in Russland* (Berlin, 1906); *Bulletin of the Bureau of Labour*, "Economic Condition of the Jews in Russia," by I. M. Rubinow (Washington, 1907), and *Die Wanderbewegungen der Juden*, by W. W. Kaplun-Kogan (Bonn, Markus & Weber, 1913); (*e*) Roumania (1901–2, and 1904): *Die Juden in Rumänien* (Berlin, 1908). The original sources of the statistics for Russia are the Government Census of 1897 and the Investigation conducted by the Jewish Colonisation Association in 1898–9, published first in Russia (St. Petersburg, 1904) and afterwards in French under the title of *Recueil de matériaux sur la situation économique des Israélites en Russie d'après l'enquête de la Jewish Colonisation Association* (Paris, 1906). The only other country of which Jewish occupation statistics are extant is New South Wales (*Hebrew Standard*, Sydney, March 10, 1905), but as they only concern a total employed population of 3,031 and were compiled in 1901 they cannot be regarded as of much significance for present-day conditions.

merely petty shopkeepers, pedlars, and hawkers, who can scarcely keep body and soul together. In Russia 42·62 per cent. of the Jews are engaged in commerce and transport (38·64 in commerce alone), as compared with only 2·7 per cent. of the general population, but it must be remembered that Russia is predominantly an agrarian country, and that the Jews, with the exceptions to be noted later, are barred from the soil. They form one-third of the entire mercantile class in the Russian Empire, and as much as four-fifths in the Pale of Settlement alone. Nearly one-half of the Jewish merchants in Russia trade in agricultural produce, constituting over 90 per cent. of the grain-dealers in the Empire, and practically monopolising the corn trade in the Pale and along the Black Sea; but they are also represented in many other branches of commerce, particularly clothing, textiles, and timber. In Roumania the Jews form a fifth of the entire commercial class, while the proportion rises in some departments of the country to a half and even three-fourths, the maximum being reached in Jassy and Botosani. They entirely monopolise the petroleum trade and form the bulk of the dealers in iron goods (92 per cent.), cotton goods (88 per cent.), flour, timber, and fur. Most of the native Jews in England and America are also engaged in commerce, those in the latter country largely controlling the trade in corn, tobacco, and cotton, whilst the East European immigrants in these countries provide a contingent of shopkeepers, hawkers, and pedlars.

The participation of Jews in finance is relatively not so great or important at the present day as it was until the middle of the nineteenth century. The refusal of the mediæval Church to allow its followers to deal in money, as something taboo, gave the Jews a monopoly in which they were able to specialise, and they thus acquired considerable skill and success in financial operations. The outstanding episode in the history of Jewish finance, as, indeed, in the annals of modern finance in general, is the unparalleled rise of the firm of Rothschild, which, starting from modest foundations in Frankfort in 1760, raised loans for almost every country of importance during the next hundred years, and is estimated to have contracted for or participated in loans to the huge total of £1,300,000,000 up to 1904![1] Among the most important transactions carried out by the Rothschilds were the transmission of £18,000,000 sterling from England to the Continent for payment to the anti-Napoleonic Allies, the raising of a loan of £15,000,000 for the English Government in 1856,

[1] *Financial Times*, Feb. 13, 1913.

the arrangement with Bleichroeder for the payment to Germany of the French indemnity of five milliard francs after the Franco-Prussian War, and the advance of £4,080,000 to the English Government in 1875 for the purchase of 176,600 Suez Canal shares.[1] One of the most important factors that contributed to the success of the Rothschild house was its establishment of branches in London, Paris, Vienna, and Naples, each headed by a brother, which enabled it to undertake operations of an international character; but the branch at Naples was discontinued in 1861, and the ancestral house at Frankfort was closed forty years later. The Rothschild firm, however, was not the only Jewish house that undertook State and municipal loans in the early half of the nineteenth century: it had many serious competitors in the Pereires, Lazards, Speyers, Sterns, Seligmanns, and Bischoffsheims, who also adopted the Rothschild system of establishing local branches in European capitals, each under the charge of a brother. But the movement that spread throughout Western Europe in the fifties of last century for the formation of credit banks and the growing practice of Governments to throw open the subscription of loans to the general public combined to break down the Jewish monopoly of international finance, which may be said to have largely passed away by 1900.[2] Jewish financiers invested considerably in the construction of railways in the latter half of the nineteenth century, notably the Pereires in North France, the Bischoffsheims in Belgium, the Bleichroeders in Germany, Baron de Hirsch in Turkey, and Messrs. Kuhn, Loeb and Co. (Mr. Jacob H. Schiff) in the United States, and it was to a Jew by birth, Sir Ernest Cassel, that the financing of the Nile Dam was due. In Russia, too, the influence of Jewish finance showed itself in the establishment of commercial banks by Barons Joseph and Horace de Günzburg and Leon Rosenthal, of St. Petersburg, and by Baron Kronenberg and Iwan Blioch, of Warsaw; whilst farther east the Sassoons, "the Rothschilds of the East," have created a network of banks from Bagdad to Shanghai. At present the movement of precious metals throughout the world is mainly directed by Jewish bankers, who largely determine the rate of exchange between one country and another; but there is absolutely no ground for the allegation, often made by anti-Semitic scribes, that the Jewish financiers of different countries are in alliance and use their combined resources for particular operations. On the contrary, the competition between Jewish houses is just as keen as between other firms. If there

[1] *Jewish Encyclopædia*, X., art. "Rothschild." [2] *Ibid.*, V., art. "Finance."

is any policy at all, apart from purely business considerations, by which self-respecting Jewish financiers are guided, it is the abstention from raising loans for the Russian Government as a protest against its inhuman treatment of their brethren. There is, moreover, a notable decline in the proportion of Jews engaged in finance. In Germany they formed 13·8 per cent. of the entire class engaged in financial pursuits in 1895, but this percentage sank to 7·9 by 1907 owing to the private banks being replaced by big joint stock banks capable of supplying the credit needed for Germany's industrial and commercial development.[1] In Italy only 2·83 per cent., and in Russia 0·15 per cent. of the Jewish population followed a financial calling. The number of Jews on the Stock Exchange is not as large as is popularly supposed. In London there are estimated to be 330 Jewish among 5,100 members of the Stock Exchange, that is, over 6 per cent.[2]; whilst in New York the percentage is probably nearly twice as high.

A significant tendency of modern times is the increasing number of Jews engaged in industrial pursuits, whether as manufacturers or mechanics. In Germany 21·87 per cent. of the Jews were engaged in industry in 1907, as compared with 19·30 in 1895; in Austria the percentage is 26·4, and in Russia as high as 34·63, whilst in Italy it is as low as 8·68. In Germany the principal industries in which they are engaged are those of machinery, metals, building, paper, timber, and especially chemicals and textiles. In Austria the bulk of Jewish manufacturers and artisans are concentrated in Galicia, in the east of which they form from 52 to 56 per cent. of those engaged in the metal, chemical, food, leather, and paper industries, and 41 per cent. of the clothing industry. Particularly noteworthy is the mining colony in Boryslav—exemplars of Jewish pluck.[3] In Roumania, despite the special laws aiming at the restriction of Jewish enterprise, they form 19·5 per cent. of all the manufacturers and only 5·3 per cent. of the factory employees, whilst they account for 52·8 per cent. of the glass, 32·4 per cent. of the furniture, and 39·1 per cent. of the clothing manufacturers.[4] One of the most remarkable features of Jewish labour, not only on the Continent, but also in England and America, is the comparatively large proportion occupied in the clothing industry. Of 40,000 Jewish artisans in Germany, distributed in twenty-two

[1] Segall, *Die beruflichen und sozialen Verhältnisse der Juden in Deutschland*, p. 33.

[2] Mr. Percy M. Castello, in the *Jewish Chronicle*, June 17, 1910.

[3] *Die Welt*, June 20, 1913.

[4] *Die Juden in Rumänien*, p. 30.

different occupations, over one-third are engaged in this industry,[1] whilst in Roumania it claims over three-fifths. In Russia over one-seventh of the entire Jewish population is either engaged in or dependent upon the clothing industry (including hats, boots, and gloves, as well as clothes).

To those who have hitherto regarded the Jews in Russia as wholly or mainly absorbed in exchange, it will come as a revelation to learn that nearly two-fifths are occupied in manufacturing and mechanical pursuits, in which less than a sixth (15·4 per cent.) of the general population is represented. Although the Jews form little more than 4 per cent. of the population of Russia, they constitute 10·5 per cent. of the entire industrial class in the Empire, and as much as a third in the Pale of Settlement. In the north-western provinces, Lithuania and White Russia, industrial occupations even claim a greater proportion of Jews than commerce: in Lithuania there are 44·2 per cent. in industries and only 23·8 per cent. in commerce, whilst in White Russia there are 42·2 and 27·4 per cent. respectively.[2] It is in these provinces that the congestion is greatest, the economic conditions lowest, and the labour movement strongest. In the Pale, according to the latest statistics, the Jews owned 37·8 per cent. of the factories (2,933 out of 7,750), and formed 27 per cent. of the employees (63,509 out of 235,203), but the value of the products manufactured in Jewish factories was only 22·5 per cent. of the total value of the manufactures.[3] The reason for this is that the average Jewish manufacturer has a smaller capital than his non-Jewish competitor, his factory is a smaller establishment and seldom equipped with the best machinery, and the cost of maintenance is relatively larger, as he is by law confined to the town, whilst his non-Jewish competitor can build his factory in the country, where rent and labour are cheaper. The industries in which Jewish manufacturers are engaged present a wide variety: textiles (80 per cent. of the total), timber, tobacco (75 per cent.), hides, soap (87 per cent.), brick, tiles, flour-mill products, creameries, breweries, and mineral waters. In Poland there are 305 Jewish factories of textile goods, of which 155 are in Lodz, employing about 13,000 men; and in Bialystok and its suburbs there are 299 Jewish factories out of a total of 372. The total number of Jewish factory workers in the entire Pale is probably between 100,000 and 150,000, and the conditions of most of them

[1] Segall, *Die Verhältnisse der Juden in Deutschland*, p. 44.
[2] Rubinow, *Economic Conditions of the Jews in Russia*, p. 502.
[3] Rubinow, *ibid.*, p. 537.

are distressing. They are confined to the towns, they cannot work on the Sabbath, they have a higher standard of life than the Russian operative, who has been brought up in the country and can generally fall back upon a little farm in bad times, and they have a difficulty in getting employment, not only in non-Jewish works, which are often controlled by anti-Semitic managers, but also in Jewish works, as they are apt to look upon their employer as their equal and know how to protect their interests by organisation.

The conditions of the artisans are scarcely better. There are over half a million, who, with their families, form a third of the Jewish population in Russia. Although permitted to live in certain parts outside the Pale, the conditions governing their residence are so burdensome and harassing that the great majority remain perforce in their native towns, where they work mostly at home in insanitary conditions and for an overcrowded market. Over 38 per cent. are engaged in the production of clothing and other wearing apparel, 17 per cent. in leather wares (boots, gloves, etc.), 11 per cent. in food products, nearly 10 per cent. in furniture, 9 per cent. in metals, 6 per cent. in bricks and tiles, and the rest in the textile, paper, stationery, and chemical industries. Unskilled labour is generally avoided by Jews: it claims only 2 per cent. of the total Jewish population in Russia. In the Pale there are over 100,000 Jews employed in unskilled labour, mostly as dock-labourers (especially in South Russia), carriers, teamsters, cabmen, farm-labourers, diggers and stone-breakers, lumbermen, raftsmen, ragpickers, and water-carriers. This at least proves that Jews, if needs be, can undertake the hardest form of physical labour. They are also found as dock-labourers at Salonica, Beyrout, and other Levantine ports. On the other hand, they are apt to look down upon employment as domestic servants or waiters as servile callings that suppress personal individuality.

One of the most striking features of Jewish industry in Russia is the large proportion of female labour. Women form 21·26 per cent. of the Jewish wage-earning class in Russia, and account for 15·3 per cent. of the artisans. In the north-west provinces women and girls form a third of the Jewish artisans, and over 80 per cent. are employed as dressmakers, seamstresses, milliners, stocking-knitters, and cigarette-makers. Female and child labour is also largely employed in factories, ranging from 20·2 per cent. in South Russia to 37·4 per cent. in Poland and 42·4 per cent. in the north-west provinces; and it is found in many industries of

a dangerous kind, such as the manufacture of bricks and of matches, the packing of matches being done mostly at home. In Germany, also, it may be added, women form 21·97 per cent. of the entire Jewish working population, but they are engaged more in business and professions than in factories and domestic service. The percentage of Jewesses in employment in that country rose from 21·97 in 1875 to 30 in 1907.[1]

The emigrants from Eastern Europe who have settled in such large numbers in America and England during the last thirty years have brought with them the industries in which they were engaged at home, namely tailoring, shoe-making, cabinet-making, cigarette-making, cap-making, and furriery, though they are also represented in all other trades. It is mainly due to them that these industries have become of increasing importance in these countries: they monopolise the clothing trade in the United States and largely dominate it in England. In New York there are over 2,000 firms employing about 80,000 men and women in the designing and making of clothes. The leading industry of the city and state of New York is the manufacture of women's clothing, which had a production in 1909 of 272,518,000 dollars, and 75 per cent. of the development of which has taken place during the last fifteen years. All the firms and employees engaged in this industry, with insignificant exceptions, are Jews.[2] Almost 53 per cent. of the male Russo-Jewish workers and 77 per cent. of the female workers in New York are employed in tailoring, dressmaking, and cognate trades.[3] In England one-third of the Russian and Polish Jews are estimated to be in this branch of industry, and to them is entirely due the introduction of the ladies' jacket and mantle trade.[4] The centres of the tailoring trade are London, Manchester, Leeds, whilst the Manchester waterproof garment industry is also in Jewish hands. The influx of Jewish immigrants into the English labour market gave rise in recent years to the complaint that they lowered the rate of wages and took the bread out of the mouth of the native workmen, but the investigations that have been made into the question have shown the charge to be groundless. When the immigrant first arrives in London he may submit to sweating conditions rather than beg or starve, but he very soon asserts his position and obtains a normal wage. Moreover, as the Jew has created his own industries, there is

[1] Segall, *Die Verhältnisse der Juden in Deutschland*, p. 78.

[2] *Jewish Immigration Bulletin*, Nov.-Dec., 1912, New York.

[3] *The Immigrant Jew in America*, p. 112.

[4] *The Jew in London*, by C. Russell and H. S. Lewis (Fisher Unwin, 1901), p. 73.

practically no competition with the Gentile workman in the labour market, Jew and Gentile working, as Mr. Sidney Webb has put it, "in water-tight compartments." A similar charge of undercutting the rate of wages has been made in America, but the Immigration Commission, after a study of the earnings of more than half a million employees in mines and manufactures, has discovered no evidence that immigrants have been hired for less than the prevailing rate of wages. On the contrary, Dr. Hourwich has recently shown that the average wage is higher in those parts of the United States where there is a larger percentage of foreign-born workmen, that there has been a gradual reduction of the working day during the past decade in the state most affected, New York, and that the proportion of children employed in factories is greatest in the states where there is practically no immigrant population.[1] The immigrant is constantly spurred on to improve his position and to become his own master, not only because he brings his wife and children to join him at the earliest opportunity, but because he has a higher standard of life than the native workman. He must provide for the proper celebration of Sabbaths and festivals and for the Hebrew education of his children, and he subscribes to a synagogue and benefit society. The trade union movement has so far not found much hold among the Jewish immigrants, partly owing to the shifting character of their class, partly owing to their irrepressible ambition to rise from the ranks of the toilers, and partly owing to their lack of the sense of disciplined organisation;[2] but strikes for the improvement of employment conditions are no infrequent phenomenon among the garment-makers in New York and the bakers in London.

The return of the Jews to the land during the nineteenth century affords a refutation of the oft-recurring charge that, having been cut off from the soil and urbanised for so many centuries, they cannot adapt themselves to rural pursuits. There are now about 400,000 Jewish souls living by farming and forestry in the Old and in the New World, and the number is increasing every year. The return to the land began in Russia in 1804, when Alexander I. passed a law permitting the settlement and purchase of land by Jews in New and Southern Russia, and presented them with 80,000 acres in the province of Kherson as a nucleus for agricultural settlements. He also granted them exemption

[1] I. A. Hourwich, *Immigration and Labour* (Putnam).

[2] *The Jewish Year Book* (1913, p. 78) enumerates only eight Jewish trade unions in London, four belonging to the clothing industry.

from military service to induce them to go upon the land, and by 1810 several Jewish colonies were established, comprising 1,700 families, in Kherson. Under the *régime* of his successor, Nicholas I., further colonies were established by private benevolence in the provinces of Kherson and Ekaterinoslav, and their number rose to 371 in 1865, when the Government repented of its good will and prohibited the creation of fresh Jewish colonies. In the 'seventies the Government took nearly 90,000 acres away from the Jewish colonies in the provinces of Volhynia, Kieff, Podolia, and Tchernigoff, and in 1882 the famous May Laws forbade Jews to buy or rent land in rural areas in the fifteen provinces of West Russia, a prohibition that was extended to Poland in 1891. Since then the position of the Jewish farmer in Russia has become rather precarious, and it would be menaced with utter decay if it were not for the material and financial assistance rendered by the Jewish Colonisation Association, which also maintains a staff of travelling agriculturists and five agricultural schools. According to the statistics of 1898 there were 296 Jewish colonies (apart from those in Poland), comprising 305,407 acres.[1] The number of Jews in Russia independently engaged in agriculture is 40,000, so that the entire number, including dependents, who live by it is close upon 200,000. This forms only 3·81 per cent. of the Jewish population of the country, whilst 60·5 per cent. of the general population is devoted to agriculture. The average estate of the Jewish farmer is only 23½ acres in extent, which is quite inadequate for a comfortable existence. In addition to the colonies there is also a great amount of independent farming by Jews, the entire area owned or rented by them in the Russian Empire being 6,422,684 acres, over two-thirds of which are in the Pale.[2]

In Austria the percentage of the Jewish population engaged in agriculture is 11·4, three times as high as that in Russia, compared with 54·4 among the Christian population. The entire number of Jews dependent on agriculture and forestry is 139,810, the great bulk of whom are in Galicia and the Bukovina, where 17·7 per cent. of the Jewish population lives by agriculture, the highest percentage in any country.[3] But there is no real Jewish peasantry in Austria, as a considerable proportion of the agriculturists are merely landowners who do not themselves cultivate the soil, though a great number of Jewish farm-labourers are met with in Galicia. The amount of Jewish agriculture in other parts

[1] Rubinow, *Economic Condition of the Jews in Russia*, p. 508.
[2] *Ibid.*, p. 517. [3] Thon, *Die Juden in Oesterreich*, p. 112.

of Europe is almost insignificant. In Germany, according to the census of 1907, there were 3,746 Jews engaged in farming, forestry, hunting, and fishing, forming 1·30 per cent. of the Jewish population, a decline from 1·41 per cent. in 1895.[1] In Italy only 0·31 per cent. of the Jews are engaged in agriculture, whilst in Roumania, where they are forbidden to own land, and in Hungary, where there is no such prohibition, there are a great number of Jewish tenant farmers who cultivate the estates of Christian landowners.

The most notable advance in Jewish agriculture during the last thirty years has taken place in America and Palestine, partly owing to the persecutions in Russia and partly to the revival of the national idea. The *pogroms* of 1881 caused an emigration *en masse* from Russia, and both in that and other countries the cry arose that the Jews could find the only final relief from their sufferings by resettling upon the soil of the Holy Land. The great bulk of the emigrants, however, wended their way not to the ancient, but to the modern "land of promise," and unsuccessful attempts to found agricultural colonies were made in the United States and Canada in the early 'eighties. The real history of Jewish agriculture in the New World began in 1891, when Baron de Hirsch, moved by a fresh eruption of massacre in Russia, resolved to devote his fortune to the relief of his brethren by transplanting them to America and settling them upon the land. He founded the Jewish Colonisation Association as an English company with a capital of £2,000,000, which was increased upon his death by a further £9,000,000. The Association devoted itself in the first place to the settlement of Russian Jews in the Argentine, but the unfitness of most of the emigrants for agricultural life proved a hindrance to the early success of its efforts. After twenty-two years of activity it has established eight colonies in the Argentine, comprising at present only 3,619 families with 20,038 souls, of whom 4,477 are non-colonists—a result that, compared with the enormous sums expended on the enterprise, can hardly be regarded as satisfactory. The total area covered by the colonies is 1,250,000 acres, of which 462,873 acres are under cultivation. The colonists appear on the whole to have reached a sound position, as in 1910 they paid back 538,429 dollars to the Colonisation Association. The latter body also started colonising in Brazil in 1904, and possesses there 240,000 acres, of which 100,000 are covered with timber, but the Jewish farming population so far numbers only 300 souls.

[1] Segall, *Die Verhältnisse der Juden in Deutschland*, pp. 30 and 58.

A more gratifying and promising picture is presented by the Jewish farmers in the United States and Canada, most of whom have created their own settlements, though they have also received assistance from the "I.C.A." and other organisations established with the funds of Baron de Hirsch.[1] In Canada most of the Jewish farmers are Russian immigrants settled upon Government allotments; they comprise 3,482 souls and own 136,334 acres. In the United States there are now about 25,000 Jewish souls living by agriculture and owning 600,000 acres distributed among all the states of the Union. The Jewish farmers in this country own real and personal property of an aggregate value of 33 million dollars and are organised in a federation which holds annual conferences. They owe their advancement in great measure to the Jewish Agricultural and Industrial Aid Society of New York, which encourages farming by rational methods and issues a monthly Yiddish journal, *The Jewish Farmer*, which has a circulation of 5,000 in sixteen countries.

Far more significant for the future of the Jews as a nation is the growth of the colonisation movement in Palestine. In 1870 the Agricultural School at Mikveh Israel ("Hope of Israel"), near Jaffa, was founded by the Alliance Israélite Universelle for the training of the Jewish youth of the Orient and of Eastern Europe in agriculture; but this school was of little practical use as long as the Jews had no land of their own in Palestine. Nine years later a number of Jews of Jerusalem attempted to found a colony near the Arab village Mulebbis in the Plain of Sharon, which they called Petach Tikvah ("Gate of Hope"), but owing to the fever spread by the rain-sodden soil they had to abandon the attempt until 1882, when they returned, reinforced by well-to-do emigrants from Russia. The marshy land of Petach Tikvah was then planted with eucalyptus trees and the sanitary conditions improved, but the lack of means for the purchase of implements and other equipment necessitated aid from abroad. It was in the same year, 1882, that a "Society for the Support of Jewish Agriculturists and Artisans in Palestine," known as the Chovevei Zion ("Lovers of Zion"), was founded in Odessa, and societies with similar objects arose in Germany, Roumania, England, and other countries. The Odessa Society at once started operations, and the recolonisation of Palestine thus really dates from 1882. "Not only was the existence of the first, and so far

[1] See an excellent and up-to-date account, "The Agricultural Activities of the Jews in America," by Leonard G. Robinson, in the *American Jewish Year Book* for 5673.

the largest colony, Petach Tikvah, assured in this year, but the three most important and central colonies in the three different districts of Palestine, Rishon-le-Zion in Judæa, Zichron Jacob in Samaria, and Rosh Pinnah in Galilee, were founded by people who immigrated into Palestine in large numbers from Russia, Poland, and Roumania, in consequence of the Jewish persecutions in 1881–2."[1] These pioneer colonies, however, had to struggle against serious privations and might have succumbed had it not been for the munificent support of Baron Edmond de Rothschild, of Paris, who from 1883 devoted considerable funds to the purchase of land and the promotion of Jewish colonisation in Palestine. The benevolence of "the Baron," as he was affectionately called, had a somewhat demoralising effect upon the colonists, as their reliance upon his aid deprived them of a sense of responsibility and of all perseverance. Hence he found it necessary afterwards to pull his purse-strings tight, and in 1910 he transferred the administration of his colonies to the Jewish Colonisation Association, since when they have been able to pay their way and to repay some of their old debts. The latest and most important factor in the development of colonisation in Palestine is the Zionist Organisation, which has stimulated the increase of Jewish farmers, increased the amount of land in Jewish possession, introduced modern and scientific methods of agriculture, supplied agrarian credits, and established colonies upon the co-operative system. The agricultural industry in Palestine, which comprises corn, wine, oranges, olives, and tobacco, has now reached a sound and stable position and has an assured future. There are forty separate Jewish colonies in the country, which, with some unoccupied lands, cover an area of 40,344 hectares,[2] or close upon 100,000 acres, 1·11 per cent. of the entire area of Palestine, and support a farming population of 8,500 souls.

The last important sphere of activity in which Jews are represented and to which they have devoted themselves in increasing numbers since their civil and political emancipation, is that comprising the liberal professions and Government service. The special circumstances that have favoured their advance in this sphere are their concentration in towns, their comfortable social position, and their thirst for higher education. It is significant

[1] *Die jüdischen Kolonien Palästinas*, by Jesaias Press (J. C. Hinrichs, Leipzig, 1912), p. 4. The latest reliable account of Jewish colonisation in Palestine.

[2] B. Goldberg in *Zeitschrift für Demographie und Statistik der Juden*, Feb. 1913.

that in Germany, where the Jews have attained such a high level of prosperity by means of business, most of the Jewish merchants devote their sons to the learned professions, particularly those of law and medicine; whilst in England and America, too, there is a marked tendency on the part of immigrants who have managed to secure a competence as shopkeepers or artisans, be it as grocers or butchers, tailors or shoemakers, to put their sons into these professions. Whilst the practice of law and medicine enjoys the most popularity, an increasing number of Jews are found in the ranks of civil service employees, teachers, journalists, artists, actors, musicians, dentists, chemists, and engineers. In Germany the percentage of Jews in Government service and the liberal professions rose from 6·14 to 6·54 in the period 1895–1907, whereas the percentage of the general population in these professions declined from 6·22 to 5·76 in the same period.[1] The prevalence of Anti-Semitism acts as a check upon the increase of Jews in Government positions and as university professors, though the waters of baptism at once remove their only blemish. It is at first sight surprising to find that the conforming Jews of Germany, who form only one per cent. of the population, constitute 1·93 per cent. of the high Government officials and 2·5 per cent. of the university ordinary professors,[2] but these proportions are much below the ratio of Jews with university education to the entire educated class. More significant is the fact that Jews form 15 per cent. of the lawyers and 6 per cent. of the doctors in Germany. In Russia, where there are hardly any Jews in Government positions, 6·3 per cent. are in the liberal professions, despite the severe restrictions for excluding them, but it is probable that a good proportion is made up out of the swarm of private Hebrew teachers. In Austria about 7 per cent. of the Jews are in this sphere of activity, and it is noteworthy that as many as 6 per cent. hold military positions. In Hungary they form 17·9 per cent. of the authors and scholars, 39·6 per cent. of the journalists, 20 per cent. of the artists (musicians, painters, etc.), and 20·1 per cent. of the actors.[3] The most favourable conditions in this sphere are found in Italy, where 18·67 per cent. of the Jews are engaged in the civil service and the liberal professions, as compared with only 6·42 per cent. of the general population.[4]

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[1] Segall, *Die Verhältnisse der Juden in Deutschland*, pp. 28-30.
[2] *Ibid.*, pp. 45–57. [3] *Neue Jüdische Korrespondenz*, Jan. 13, 1913.
[4] *Zeitschrift für Demographie der Juden*, Jan., 1905.

THE UNITED STATES FEDERAL INCOME TAX.[1]

THE enactment in the United States of the income tax law of October 3rd, 1913, marks a new stage in the history of finance. The American law has been enacted to compensate for the loss of revenue due to the new tariff. But the chief argument which was responsible for the passage of the sixteenth amendment and for the enactment of the law was, as we have elsewhere pointed out,[2] that wealth is escaping its due share of taxation. Again and again in the course of the discussion attention was called to the fact that our federal system of taxes on expenditure puts an undue burden on the small man; and when the objection was made that the principle of ability to pay is recognised in State and local taxation, the ready answer was found that in actual practice our State and local revenue system fails almost completely to reach those taxpayers who can best afford to contribute to the public burdens. It is true that some of the more extreme supporters of the income tax based their advocacy on the ground of opposition to the tariff alone; but the more influential legislators did not tire of stating that their aim was solely to redress the inequality of taxation which was a predominant feature of the American fiscal system as a whole.[3]

In our consideration of the measure, it will be convenient first to consider what the law actually provides, and then to call attention to its shortcomings. Under the first head the chief points are: On whom is the tax levied; what is meant by income; what are the rates and exemptions; and what are the administrative methods pursued? Let us consider these in turn.

[1] An article substantially similar to this is also contributed by Prof. Seligman to the forthcoming issue of the *Political Science Quarterly*.

[2] Seligman, *The Income Tax*, 1911, p. 640.

[3] See especially the speech of Senator Borah who ascribes to the present writer the unmerited honour of responsibility for the impetus given to the income tax. Cf. *Congressional Record*, 63rd Congress, 1st sess., pp. 4260–4261, Aug. 28, 1913.

I. *Who is liable to the Income Tax?*

Under the provisions of the statute the tax is imposed upon the entire income of every American citizen, whether residing at home or abroad, as well as upon that of every person residing in the United States although not a citizen thereof. In the case of non-citizens of the United States residing abroad, the tax is assessed upon the income from all property owned, and from every business, trade, or profession carried on, in the United States. It will be noticed from these provisions that no attempt is made to avoid double taxation. Under the law, an American citizen living abroad and subject to an income tax there, or a resident alien who has already paid the income tax in his own country, is again subject to the tax here. It is to be noted, however, that the rigour of these provisions is somewhat abated by the clause, to be considered later, which virtually exempts the foreign holder of the bonds of American corporations. It is still to be regretted that the United States has failed to lead in the movement to do away with this undoubted infraction of international justice.

In the second place, the law applies not only to individuals but to corporations. The income tax is payable by every corporation, joint stock company, or association, and every insurance company organised in the United States, with a few exceptions.[1] This part of the law contains provisions similar to those of the corporation or excise tax law of 1909. The chief differences between the two, apart from the matters which will be considered later under other heads, are that the former specific deduction of $5,000 is no longer permitted, and that corporations are now allowed to make a return for their fiscal year when this does not coincide with the calendar year. The objection that the taxation of both individual and corporation on the same income involves double taxation is sought to be met by the provision which permits individuals to deduct from their taxable income the amount of corporate dividends or other income on which the tax has been paid by the corporation. The American law, therefore, seeks to avoid double taxation by the same jurisdiction, while making no effort to avoid double taxation by competing jurisdictions.

[1] The exceptions are: labour, agricultural, or horticultural associations; mutual savings banks not having capital stock; fraternal beneficiary societies, orders, or associations, operating under the lodge system; domestic building and loan associations; cemetery companies operated exclusively for the mutual benefit of members; associations operated exclusively for religious, charitable, scientific, or educational purposes; business leagues, chambers of commerce, boards of trade, and civic leagues and organisations not organised or operated for profit.

II. *What is Taxable Income?*

As we have seen elsewhere,[1] it is easy to say that income should be taxed, but it is not so easy to define what is meant by income. The law states that net income

"shall include gains, profits, and incomes derived from salaries, wages, or compensation for personal services of whatever kind, and in whatever form paid; or from professions, vocations, businesses, trade, commerce, or sales or dealings in property, whether real or personal, growing out of the ownership or use of, or interest in, real or personal property; also from interest, rents, dividends, securities, or the transaction of any lawful business carried on for gain or profit, or gains or profits and income derived from any source whatever, including the income from, but not the value of, property acquired by gift, bequest, devise, or descent."

In this comprehensive definition several points are to be noticed: first, that no endeavour is made to introduce a new conception of income; second, that the idea of income as a regular and periodic return is accepted; third and fourth, that a somewhat more careful attempt is made to distinguish between gross and net income, and that a slight attempt is made to distinguish between capital and income. Let us take up each of these points.

We have said that no endeavour is made to introduce a new conception of income. This new conception of income, to which the new law pays no homage, may be regarded from a double aspect: that of psychic or benefit income and that of disposable income. The problem of psychic income involves the question as to whether the conception of income is to be limited to that received in the form of money or whether it should be extended to include the satisfactions for which money stands. Since it is manifestly impossible to gauge in terms of money the varying degree of general satisfaction that individuals receive, the only practical question is as to whether that particular satisfaction which comes from living in one's own house and which can be fairly well measured in terms of rent, ought to be included in income. Suppose that A lives in his own house, worth $50,000, and pays perhaps $1,000 in taxes and $1,000 in repairs. B, who has had a precisely similar house, sells it for $50,000, but continues to live in it, at a rental of $5,000. His position is virtually the same as that of A, because he gets $3,000 as 6 per cent. return on his $50,000 and saves the $2,000 on taxes and repairs. Yet B now has to pay a tax on his $3,000 additional

[1] Seligman, *The Income Tax*, p. 19 *et seq.*

income. It might be urged now that in order to attain exact equality, the net rental value of the residence ought to be included in income. This rental value was so treated in the Civil War income tax. The framers of the present law, however, thought it wise to follow the almost universal European, though not the English, example and to confine the term "income" to the ordinary conception of actual money income.

The other aspect of this new conception of income relates to the question of savings. Many years ago John Stuart Mill thought that he had discovered a flaw in the theory of the income tax. He pointed out that unless savings were exempted we should be imposing double taxation; that is, the tax would be imposed, first, on the amount of income actually saved, and, secondly, upon the future income from that amount considered as capital. Although the fallacy of this contention was subsequently pointed out, it has remained for a recent Italian writer to take up the subject anew and to maintain that the only way of avoiding gross inequality in taxation of income is to exempt savings. It is remarkable, however, that at the same time a German author should have devised a precisely contradictory theory, namely, that all that should be included in the conception of income is the balance of receipts over expenditures, and that the term expenditures should include not only those incurred in securing the income, but personal expenditures as well. Equal taxation hence involves not simply equality of income received, but equality of surplus available. The new Italian theory would result in taxing nothing but expenditure; the new German theory would result in taxing nothing but savings.[1]

It is evident not only that these two theories are mutually

[1] The Italian work is *Intorno al Concetto di Reddito Imponibile e di un Sistema d' Imposte sul Reddito Consumato*, published as a memoir of the Turin Academy of Sciences in 1912 by Professor Luigi Einaudi (reviewed by Prof. Pigou in the ECONOMIC JOURNAL, Vol. xxiii, p. 260). The German work is *Die Besteuerung nach dem Ueberfluss (nach der Ersparnismöglichkeit)*, by Bürgermeister H. Weissenborn in Halberstadt, 1911 (reviewed by Mr. Naymier in the ECONOMIC JOURNAL, Vol. xxii, p. 108). The Italian book has given rise to a discussion carried on in a series of articles in the *Giornale degli Economisti* for 1912 and 1913. The argument rests on the distinction between "earned" and "realised" income propounded by Professor Irving Fisher in 1906 in *The Nature of Capital and Income*. This distinction has, however, found little acceptance among American economists, and its validity has been vigorously denied, especially from the standpoint of its applicability to taxation. See the review of Professor Fisher's book by Professor H. R. Seager in the *Annals of the American Academy of Political and Social Sciences*, Vol. xxx, p. 175 (1907); and the discussion on the subject "Are Savings Income?" by Professors Fetter, Daniels, and Robinson in Papers and Discussions of the Twentieth Annual Meeting of the American Economic Association at Madison, Wis., Third Series, Vol. ix, No. 1 (1908), pp. 48–58.

contradictory, but that the wisdom of attempting to carry out either of them would be highly questionable. It must be said, therefore, that the framers of the new law were well-advised in refusing to be led astray by either of these recent vagaries.

The second point to be noted with reference to the theory of income implied in the new federal law is its attitude towards irregular receipts. In the law of 1894,[1] in contradistinction to the well-nigh universal practice abroad, inheritances were taxed as income. The general view, as explained elsewhere,[2] is that income consists only of regular and periodic returns, irregular returns in the shape of inheritances being reached by the inheritance tax. In the new law this conception is adopted, although no new tax on inheritance is imposed by the federal government. As inheritances are usually reached by the separate States, however, and as it is not improbable that the federal income tax may before long be supplemented by a federal inheritance tax, there is much to be said for the provision of the Act. The law of 1913, moreover, is still further and favourably distinguished from that of 1894 by excluding from the conception of income, property acquired by gift, *inter vivos*.

The third element to be considered in the conception of income is the distinction to be drawn between capital and income. The two chief problems under this head are the treatment of profits from sales of property, and the disposition made of certain receipts of life insurance companies.

In respect to the former, the law states that taxable net income comprises "gain, profits, and income derived from . . . dealings in property whether real or personal. . . ." It is obvious that in the case of persons engaged in the real estate or bond business, profits from the sales of real estate or of securities are included in taxable income. The question arises, however, whether the purchaser of a piece of property who after the expiration of several years sells it at an enhanced price ought to regard the difference as a part of his income in that year. If the letter of the law be followed, this is the obvious result. The injustice, however, of such a procedure is apparent from the fact that there is no provision made for deducting losses arising from a similar transaction. Of course, a real-estate

[1] For an account of this law, see Seligman, "The American Income Tax," ECONOMIC JOURNAL, Vol. iv, p. 639.

[2] Seligman, *The Income Tax*, p. 20.

dealer, in figuring up his income for the year, can set off losses on some transactions against profits on others. But an ordinary individual who sells at a loss a piece of real estate that he has held for a number of years has no way of setting off that loss against profits from other sources. It is simply a diminution of his capital. Why, then, should any possible profit derived from a similar transaction be considered as income rather than accretion to capital?

In the original income tax of 1864 such profits were counted as income. This, however, created such dissatisfaction that the law of 1867 limited such profits to those from sales on real estate purchased within two years.[1] In the discussion of the present Bill Mr. Cordell Hull, its framer, stated :—

"In construing all these laws . . . unless the unearned increment is expressly made income, it is not considered income in any sense of the word, but simply increase of value or capital."[2]

When pressed still further, he added :—

"My judgment would be that as to the occasional purchase of real estate not by a dealer or one making the buying and selling a business, this Bill would only apply to profits on sales where the land was purchased and sold during the same year."[3]

As this section was adopted in the light of Mr. Hull's explanation, it is not unlikely that it will be so interpreted as to carry out the evident intention of its framers. If so, the same rule will apply also to profits from the sales of securities or other personal property. This would seem to be a fairly satisfactory solution of an undoubted difficulty.

The other aspect of this problem is connected with insurance and especially mutual life insurance companies. The payments from life insurance companies to the policy-holders include, as is well known, death claims, annuities, endowments, surrender values, and so-called dividends. Since, however, a part of these payments is made from premiums received, it is clear that this involves merely a return of capital. In the heated discussion that took place on this topic it was pointed out that a large part, at all events, of the dividends ought really not to be included in income. An amendment to the Bill was finally adopted, whereby it was provided that life insurance companies should not include as income "such portions of any actual

[1] Seligman, *The Income Tax*, p. 512.
[2] *Congressional Record*, April 26, 1913.
[3] Such a provision was contained in the law of 1864.

premium received from any individual policy-holder as shall have been paid back or credited to such individual policy-holder or treated as an abatement of premium of such individual policy-holder within such year." And in the same way mutual fire and marine insurance companies are not compelled to include refunds of premium deposits to policy-holders in their taxable income, a provision of great importance in the case of so-called "factory mutuals" which pay to their policy-holders "dividends" amounting in some cases to 90 or 95 per cent. of the premium received. It is fortunate that this amendment prevailed, as in a recent decision of the Supreme Court it has been held that the inclusion of such "dividends" in the income of corporations under the corporation tax law of 1909 was invalid. The elimination of "dividends," however, does not dispose of all the difficulty, as there still remain some so-called earnings of insurance companies which are really nothing but a return of capital to the policy-holders.[1] Mr. Hull was quite emphatic in his statement that there was no intention of taxing capital rather than income, but he was not thoroughly clear in his own mind as to the exact distinction to be made, and he maintained that the accounts of the insurance companies were not so kept as to permit the legislature to distinguish between the two conceptions.

The fourth difficulty connected with the concept of income is presented in determining the deductions to be made from gross income in order to arrive at net income. With respect to certain of these items, there is no controversy. Such are the provisions of the law for deducting necessary business expenses, interest on personal indebtedness, losses actually sustained during the year, including worthless debts written off, and a reasonable allowance for exhaustion, wear and tear of the property arising out of its use in the business (not exceeding in the

[1] The objections of the insurance companies are presented in a series of memoranda printed in Tariff Schedules, Briefs and Statements filed with the Committee on Finance, United States Senate:—Income Tax and Customs Administration, Washington, 1913. See especially pp. 1947–1986, 2119–2126.

This whole subject is well treated by R. R. Kennan in a monograph entitled *The Federal Income Tax in its Relation to Life Insurance Companies*, Milwaukee, 1913.

The accountant's point of view is summed up in W. A. Staub, *Income Tax Guide*, 1913, p. 50, as follows:

"Only the income derived from the investment of premiums between the time they are received from the policy holders and the time they are returned to them or their beneficiaries in the form of death claims, annuities, endowments, surrender values, 'dividends,' less the expense of conducting the business, represents real income derived from the amounts placed in a company's hands by the policy holders for insurance purposes."

case of mines 5 per cent. of the gross value of the year's output at the mine). Nor is there room for dispute as to the propriety of the permission to deduct from the gross income of individuals not only dividends from corporations which have paid a tax on their net income, but also any income from which, as will be explained later, the tax has been withheld at the source. The real difficulty in the matter, apart from the question of actual fact as to the difference between repairs and permanent improvements, relates to the question of taxes and of interest on corporate debts.

As to the former, the law permits deduction from all taxes, not including, however, in the case of individuals, assessments for local benefits. Why this deduction should be allowed is not clear. It might indeed be claimed that so far as taxes on business are concerned, this ought to be put on a par with other outlays incurred in order to secure a net profit. But where the income is derived from other sources than purely business transactions, the propriety of the deduction seems questionable. It is to be conceded, however, that herein lies a real difficulty in the theory of income.

In considering the deduction of interest on corporate debt, it should be remembered that the theory of corporate indebtedness differs, as we have elsewhere pointed out,[1] in some important respects from that of individual indebtedness. In the case of the individual, taxable property consists in the surplus above indebtedness, and the taxable income consists in the corresponding surplus of receipts. Capital stock of a corporation, however, usually represents only a portion of the property, while the remainder is represented by the bonded indebtedness. Strictly speaking, indeed, the proper distinction is not between corporate and individual credit, but between production and consumption credit. In the case of corporations, however, while debts are sometimes contracted to meet pressing exigencies and may thus in a way be considered a kind of consumption credit, mortgage bonds, at least, are almost exclusively issued in order to provide capital. Economically speaking, the corporate capital consists of the bonds and the stock. Theoretically, therefore, the income from interest on corporate bonds ought not to be deducted. As a matter of fact, it is not so deducted in European income-tax laws. In the corporation tax law of 1909, however, interest on indebtedness was deducted, but only on an amount of debt not

[1] Seligman, *Essays in Taxation*, 8th edition, 1912, pp. 106–107; and *The Income Tax*, p. 513.

exceeding the capital stock. In the present law we find a compromise. Interest paid is allowed as a deduction from income on an amount of indebtedness not exceeding one-half the sum of the corporation's interest-bearing debt and its paid-up capital stock. Thus it will be seen that the new tax is more favourable to the corporations than was the excise tax. The compromise, however, is entirely arbitrary. Either there should have been no deduction at all, or the deduction should have been permitted on all the indebtedness which might be regarded as a result of purely consumption credit.

Another point in which the corporations would seem to have just cause for complaint is the disappearance of that provision of the law of 1909 which permitted corporations to deduct from gross income the dividends received from the stock of other corporations held by them. The result of this disappearance will be a great burden on holding companies, as the same income will be taxed once to the subsidiary companies and again to the parent company. The reason for this change was obviously to interpose obstacles to the continuance of holding companies. While this is not the place to express any opinion as to their desirability in general, it is quite clear that, in the case of railroads at least, some form of holding company may be entirely compatible with the best public interests; and, in any event, the attempt to combine fiscal and prohibitive ends in the same measure is of doubtful wisdom.

III. *The Tax Rates.*

In discussing the question of tax rates the two chief problems are those of exemption and of graduation.

The most important point to be noted under the head of exemption is the fact that the tax applies to individual incomes only when they exceed $3,000. In the law of 1894 the exemption was placed at $4,000, and in the Bill as originally drafted, the exemption was also kept at the higher figure. In the course of the discussion, however, and partly as a concession to the feeling that the limit was excessive, it was reduced to $3,000, with additional exemptions of $500 or $1000 for children. In the final draft, while the figure of $3,000 was retained, the exemption for children was eliminated and was replaced by an additional exemption of $1,000 for a married couple. A total exemption of $4,000 only, however, is permitted in the case of aggregate income of husband and wife when living together. It is to be noted, moreover, that the exemption applies to the

first three or four thousand dollars respectively of any amount of income; that is to say, three or four thousand dollars, as the case may be, are always to be deducted from the net income, in order to reach the taxable income.

In the discussion of the law, several attempts were made to reduce the exemption to a lower limit. It was repeatedly pointed out, however, that this exemption did not mean so much the minimum of subsistence, as a minimum of comfortable existence, according to the desirable American standard of life. An American family of from three to five children living in decent comfort, and desirous of giving the children a college education, would, it was maintained, need all of $4,000, or in the case of a widow, certainly all of $3,000, for meeting the necessary family expenses. It was further urged that the recipients of smaller incomes are already bearing more than their share of the burden, through the federal indirect taxes, and that this comparatively high exemption would only redress the inequality. Finally, it was argued that the administrative advantages of the high exemption in averting needless expense and endless complications, such as are found in the English system, would far outweigh any objections to the higher exemption. While, however, these considerations were prominent in the minds of the framers of the measure, there is little doubt that the controlling reasons for so high an exemption were primarily political. One of the Congressmen ingenuously asked, in reply to a proposition to reduce the exemption: "Does the gentleman not think it would defeat every member who would vote for this amendment if the fact were known at home?"[1] And another member said:

"I venture the assertion that if Congress at the first opportunity which it has had of levying a direct tax upon the people without apportionment, should levy a tax which would fall upon every citizen of the land, that tax would not stay upon the statute books longer than the first election which followed the first call of the tax collector."[2]

In justice, however, to the majority, we must quote the statement made by Mr. Murray, Oklahoma:

"There are those who would say that we should begin at $1,000, in lieu of $4,000. They forget the principle upon which this tax is founded, and that is that every man who is making no more than a living should not be taxed upon living earnings, but should be taxed upon the surplus that he makes over and above that amount necessary for good living. We also recognise the assumption that

[1] *Congressional Record*, p. 1215, May 6, 1913.

[2] *Ibid.*, p. 1218.

$4,000 will reach the highest grade of good living. . . . The purpose of this tax is nothing more than to levy a tribute upon that surplus wealth which requires extra expense, and, in doing so, it is nothing more than meting out even-handed justice." [1]

The exemption of interest on bonds or other obligations of the United States or its possessions did not arouse any comment. This was partly due to the fact that the federal debt is so small and is so largely held by national banks. If the time should come when the national debt, in the hands of individuals, should again assume large dimensions, it is not unlikely that we shall have a controversy here comparable to the one that has been responsible for the recent fall of the French Ministry. The issue will then be the equality of taxation, *versus* the maintenance of the national credit. Finally, it may be pointed out that the exemption of $5,000 accorded to corporations in the law of 1909 is eliminated in the present law.

The consideration of tax rates involves not only the question of exemption, but that of graduation. It is significant that the principle of progressive taxation evoked almost no discussion. The legitimacy of the theory was taken for granted, and in the few cases where it was mentioned, it was assumed to be a corollary of the theory of ability to pay. This shows the development that has taken place since the discussion of the law of 1894. In considering the question of graduation, only two difficulties confronted the framers of the Bill. The one was how to make a workable system of progressive taxation harmonise with the administrative methods employed; the other, how to oppose with success the demands of the radicals.

The former difficulty is connected with the principle of stoppage at source, to be discussed below. It is clear that if the tax is paid at source by the income payer, rather than by the income recipient, it is not easy to introduce a graduated scale. The bonds of a corporation, the tax on the income of which is withheld by the corporation, may be owned by a person of very small or of very large total income.

This problem had, however, recently been solved in England, and a similar solution was adopted in the Bill which passed the Chamber of Deputies in France a few years ago, and is pending, at the time of writing, in the Senate. In England a uniform rate is imposed upon all tax-payers, and is assessed on the principle of stoppage at source. This remains the backbone of the tax. Then on all individual incomes above a certain figure, a so-called

[1] *Congressional Record*, p. 1219, May 6, 1913.

super-tax is levied upon the income as a whole. So in the French Bill the uniform tax levied according to the stoppage-at-source principle is supplemented by a "complementary" tax levied upon the entire income. The same plan has been adopted in the new American law. The uniform tax levied upon all incomes, primarily by the method of stoppage at source, is called the normal tax, and is assessed at the rate of 1 per cent. The extra tax is called the additional tax or the surtax, and is assessed on the entire income of individuals, according to a graduated scale. The advantage of this ingenious scheme is that the constituent parts of the income of any individual will be reached in large measure by the normal tax, and in such a way that the Government will be able to ascertain the facts. The returns made by individuals for the additional tax can, to a considerable degree, thus be checked up, and the fiscal interests of the Government thus protected. This protection is, however, not complete, for, as we shall see, the principle of stoppage at source does not apply to all incomes within the United States, and applies only in an imperfect way to incomes received abroad. To a very large extent, however, the protection is undoubted. Thus it may be said that the old problem of the incompatibility of graduated taxation with stoppage at source has been attacked with a fair prospect of success.

The other difficulty with which the framers of the Bill had to cope was the danger of an exaggerated application of the progressive scale. In the original Bill, the clause relating to the "additional" tax was so framed as to impose 1 per cent. on incomes from $20,000 to $50,000, 2 per cent. on incomes from $50,000 to $100,000, and 3 per cent. on incomes above $100,000. In the course of the discussion, however, many amendments were introduced calling for much higher scales. It will suffice to mention the plan of Mr. Copley, who suggested a scale rising to no less than 68 per cent. on incomes over $1,000,000, a proposition so manifestly extravagant that it was voted down by a large majority. Another rather extreme proposition was subsequently advanced in the Senate. Senator Williams disposed of it with the statement that "the object of taxation is not to leave men with equal incomes after you have taxed them."[1] The general feeling was, however, that the graduated scale proposed in the Bill was not high enough. Senator LaFollette proposed

[1] *Congressional Record*, p. 4225, August 27, 1913. As to the leave-them-as-you-find-them theory of taxation, see Seligman, *Progressive Taxation*, 2nd ed., 1900, p. 231.

a scale which ran up to 10 per cent. Senator Bristow suggested a somewhat more moderate scale, and scouted the idea of possible future complications. As a result of the discussion, the Finance Committee of the Senate saw that some concession was inevitable. Under the law as it was finally enacted, the rates of the "additional" tax are as follows:

Per cent.		On amount exceeding	And not ov
1	... ...	$20,000	$50,000
2	... ...	50,000	75,000
3	... ...	75,000	100,000
4	... ...	100,000	250,000
5	... ...	250,000	500,000
6	... ...	500,000	—

The maximum rate of the income tax as a whole, therefore, under the new law, is somewhat under 7 per cent. This is somewhat lower than either the English maximum (1*s*. 8*d*. on the £), or that of the recent German *Wehrsteuer* (8 per cent. on incomes over half a million marks).[1]

IV. *Stoppage-at-Source.*

The provisions in the new law which deal with the methods of assessment and collection involve a fundamental departure from the theory of all preceding income taxes in the United States. As has been frequently pointed out, the two chief types of income tax are the personal or lump-sum tax, where everyone is compelled to make a return of his entire income from whatever source derived, and the stoppage-at-source tax, the theory of which is that it should be collected from the person or agency paying the income, rather than from the individual who receives it. The argument in favour of payment at source is the double one of protecting the honest taxpayer, and of safeguarding the fiscal interests of the treasury. Whatever may be true of a country like Germany, where the administrative and political conditions are unique, there is little doubt that a purely personal lump-sum income tax, resting primarily on the declaration of the individual, would be as much of a failure in the United States as was the original income tax in England or the American income tax in the years subsequent to the Civil War, and as are those parts of the income tax in Austria, Italy, and Switzerland, which rest upon the same principle. It was to avoid these evils that England adopted the principle of stoppage at source to a certain extent at least, and that some other countries have in a minor degree followed this example. It has been reserved, how-

[1] As to the German Tax see F. Stier-Somlo, *Wehrbeitrag und Besitzsteuer: Die Reichssteuergesetz vom 3 Juli*, 1913.

ever, for the United States to apply the principle in a more thoroughgoing fashion than is the case anywhere else.

The law provides that "all persons or firms, co-partnerships, companies, corporations, joint-stock companies or associations, in whatever capacity having control, receipt, disposal or payment of fixed or determinable annual or periodical gains, profits, and income of another person, subject to tax," are required to deduct and withhold the annual tax of 1 per cent. from all "interest, rent, salaries, wages, premiums, annuities, compensation, remuneration, emoluments, or other fixed or determinable annual gains, profits, and income of another person exceeding $3,000 for any taxable year." In the case of payment of interest on bonds and mortgages or of trusts or other similar obligations of corporations, as well as in the case of collections of interest and dividends on foreign bonds and stocks not payable in the United States, the tax is to be deducted on all sums irrespective of whether or not the payments amount to $3,000. The obligation to withhold the tax is not applicable to three cases. First, it does not apply to the dividends on the stock of corporations (except foreign corporations not doing business in the United States) for the reason that all such corporations are subject to the tax on their net income, irrespective of whether they pay out this income as dividends or allow it to accumulate as surplus and undivided profits. Secondly, the obligation to withhold the tax does not apply to the interest on bonds, mortgages, equipment-trust, receivers' certificates, or similar obligations of which the *bonâ fide* owners are citizens of foreign countries and residing abroad. Thirdly, it does not apply to the payments to a corporation, the reason for this obviously being that all corporations are required to file a complete return of all of their income, and that the books of the corporation are open to inspection by the revenue authorities.

It will be observed that the provision for payment at source is exceedingly broad. With the exceptions mentioned, it applies virtually to everyone through whose hands there may go money or money's worth belonging to anyone else, provided that the payments are "fixed or determinable." If the income is not fixed or certain or payable at stated periods, or if it is indefinite or irregular either in the amount or the time at which the income is paid, the provision does not apply. A failure to deduct the tax makes the individual or corporation personally liable. Moreover, anyone who collects foreign payments of interest or dividends by means of coupons, cheques, or bills of exchange must

procure a licence from the Commissioner of Internal Revenue, and give bonds. All licensees must keep records open to inspection by the Government officials, and must file monthly with the district collector of internal revenue a list of the names and addresses of persons from whom any items have been received, the amounts of tax deducted, and the sources thereof. Failure to conform to these regulations involves a fine not exceeding $5,000, or imprisonment not exceeding one year.

In connection with this general problem of stoppage at source, two chief points deserve consideration: first, is the principle itself sound; and, second, what administrative regulations have been issued to facilitate the execution of the law?

Among the criticisms directed against the principle of stoppage at the source, the first to be noted is the contention that there is no warrant for imposing upon the so-called "withholding agents" the expense connected with the withholding of the tax and the rendering of the accounts to the Government. In this contention there seems to be some merit. It must be remembered, however, that in so far as the withholding agents are corporations—and this is true of the great majority of cases—they all enjoy a privilege which is not granted to corporations in Europe, namely, that of deducting interest on debt from their gross income.

The next criticism is more weighty. It is well known that since the beginning of the income-tax agitation in the 'nineties almost all of the American railroads, and many of the larger industrial corporations, have issued their bonds with the so-called "tax-free" clause; that is, the corporations have bound themselves to pay any taxes that might be imposed upon the bonds or coupons. The consequence is that as the present law compels these corporations to withhold the income tax on the coupons, the corporations under the tax-free clause have no option but to pay the tax themselves. As a result, the Government is hitting the wrong man. It seeks to impose the tax upon the bondholder; in effect, it mulcts the corporation. Under the present situation, therefore, the tax due by corporate bondholders is paid by the stockholders.

The framers of the Bill were well aware of this complication. They accordingly introduced a section rendering void any tax-free provision in corporate bonds to be issued in the future. They did not, however, deal with existing bonds, as they feared thereby to expose the law to a charge of unconstitutionality. It may be stated, indeed, that so far as bonds to be issued in

the future are concerned, it makes little difference, from the economic and fiscal points of view, whether the tax-free provision is contained therein or not. The only result of the tax-free provision in future bonds will be that the bonds will sell at a higher price than would otherwise be the case, the tax being capitalised into the difference in the market price. So far as the corporation is concerned, it makes no essential difference, because the corporation will sell its tax-free bonds at a price sufficiently high to compensate it for the payment of the annual tax; and so far as inequality of taxation among individuals is concerned, it also makes no difference, because the purchasers of tax-free bonds, instead of paying the income tax on the coupons, will capitalise this annual tax into the additional price they pay for the bonds. This consideration, however, does not affect the thousands of millions of existing corporate bonds where the result of the present system is to impose an additional burden on the corporation and to exempt the security-holders.

It was a consideration of this nature which led the representatives of the withholding corporations to suggest during the pendency of the discussion an alternative scheme.[1] They conceded that the chief object to be attained by the payment-at-source method ought to be kept in view, namely, the prevention of tax evasion. They contended, however, that the needs of government in this respect would be met by information as to details of payment, ownership, addresses, &c.; and they declared themselves quite ready to present such reports. This suggestion was not entirely novel. Such reports form a part of a system originally introduced by Italy when it imposed upon the corporations the duty of supplying the Government with certain facts. For this scheme the present writer suggested the name of "information at source," a name that was at once adopted as a convenient appellation. The framers of the Bill acknowledged its legitimacy, and were willing to substitute, in part at least, information at source for payment at source. The doubts of the majority of the Conference Committee, however, as to the efficiency of the proposed substitute in completely accomplishing the results desired, were not entirely dispelled, and the principle of stoppage at source was therefore retained.

The other phase of the stoppage-at-source question is that of

[1] See the memoranda of the Guaranty and other Trust Companies, and of Professor Bullock in Briefs and Statements, pp. 2004–2013 and 2071–2075. The former memorandum was also separately published under the title *Income Tax Bill: Memorandum on behalf of certain Trust Companies.*

the administrative regulations issued to enforce the law. The Treasury Department, which was given great latitude in the matter, has performed admirably the task of interpreting some obscure passages in the law and making them workable. In the first place, the Bureau of Internal Revenue has provided for the attachment of certificates by all withholding agents. In case of bonds and similar obligations, it has been settled that if the debtor corporation or its fiscal agent does not deduct the tax, the first bank, trust company, banking firm, individual or collecting agency receiving the coupons for collection or otherwise shall withhold the tax and attach a certificate stating for whom the tax is deducted, the person from whom the coupons were received, the bonds from which the coupons were cut, and the amount of interest. All such certificates, which may be signed by a bank or other responsible collecting agency, as well as those prepared by persons licensed to collect foreign incomes, must be filed with the district collector by the 20th of the following month. So far as income from sources other than corporate interest is concerned, the situation has been rendered much simpler by a regulation that the tax shall not be withheld until the aggregate of the payments during the year amounts to more than $3,000. The tax is then to be paid upon this aggregate unless the person to whom the income is payable files with the withholding agent a claim for the three or four thousand dollar exemption, respectively, in which case the tax is to be withheld only on the excess above the exemption claimed.

Finally, it is to be stated that the law took effect, so far as the date of taxable income is concerned, as of March 1st, 1913. Manifestly, however, the provision requiring payment at the source could not be made retro-active, and was enforced only from November 1st.

V. *Other Administrative Features.*

There remain for consideration some of the miscellaneous administrative provisions of the law.

Of these, perhaps the most interesting is that which provides for secrecy. The law states that it shall be unlawful for any officer or employee of the United States to divulge any detail set forth in any income return, nor shall he permit any details to be seen or examined by any persons except in the manner to be mentioned; nor shall any person print or publish in any way any detail connected with the income returns.

The returns of corporations, however, constitute public

records, open to inspection upon the order of the president, under rules and regulations to be prescribed. It is further provided (and this is due to Senator LaFollette) that the proper officers of any State imposing a general income tax may, upon the request of the Governor thereof, have access to such corporate returns. The secrecy imposed in the case of individuals is in bold contrast to the publicity of returns under the earlier Civil War income-tax Acts.

Every individual with an income exceeding $3,000 during the preceding calendar year must file a return on or before March 1st under oath or affirmation, with the collector of the internal revenue for the district in which he resides or has his principal place of business. The only exception is in the case of individuals whose income does not exceed $20,000, all of which has been derived from corporate dividends or from sources where the tax has already been withheld. Neglect or refusal to make the returns involves a penalty of from $20 to $1,000, and an increase of 50 per cent. in the tax. A false or fraudulent return made with intent to evade the tax is punishable with a fine not exceeding $2,000, or imprisonment not exceeding one year, or both, together with the costs of prosecution.

Corporations have a choice of two methods. If they file a return for the calendar year they are notified of the tax assessed against them by June 1st, and the tax must be paid by June 30th. If, however, they prefer to file a return for a fiscal year which does not coincide with the calendar year, they must pay the tax within one hundred and twenty days after the date upon which they are required to file a return. Taxes remaining unpaid after the due date and ten days' additional notice from the collector, are increased 5 per cent. with interest added also. Corporations neglecting or refusing to make returns at the stated time, or making a false return, are liable to a penalty not exceeding $10,000. Moreover, in the case of refusal or neglect, the return is increased 50 per cent., and in the case of fraud 100 per cent. Any officer of a corporation who makes a false or fraudulent return is subject to a fine of $2,000 or imprisonment for one year, or both. It will be seen, therefore, that the provisions for collection of the tax are not only ample but rigid.

VI. *Conclusion.*

The income tax law of 1913 is not perfect. It is not in all respects well drawn, and there are not a few dark points which will require interpretation by the administrative authorities or

the courts. Moreover, it contains defects of omission, as well as of commission.

Many of the criticisms urged both before and after the passage of the law are indeed not valid. Thus it was maintained that if an income tax should be imposed, New York and the other wealthier States would be sure to be discriminated against. As a matter of fact, there is no discrimination in the present law, except that which arises from the fact that New York is wealthier than other States, and therefore ought to pay a larger sum. No one would think of protesting against the justice of customs duties because as a matter of fact so large a proportion is collected from the port of New York.

In the same way the charge that the tax is Socialistic can be brushed aside. It is true that we now have a graduated scale of taxation, but the extremes of graduation are lower than in other countries. It is also true that the exemption is placed at a figure which may seem excessive. It must be remembered, however, that this is, on the whole, in accord with the conception of taxation that has long obtained in America. For many decades the great mass of State and local revenues has rested on the basis of the general property tax; the accepted principle of which is to exempt all those who have not accumulated property. Now if it is true, as is claimed, that the recipients of an income of $3,000 ordinarily spend the greater part of their income and lay by little or nothing, the exemption of $3,000 from an income tax would amount to the usual exemption involved in the imposition of a general property tax. For if a man saves nothing from a $3,000 income, he will not be subject to a property tax. Whether or not it is accurate that the recipients of $3,000 income ordinarily spend all of it, it is probable that with the rising standard of life in this country, much, if any, saving is unlikely; and to the extent that this is true, the argument for a comparatively high exemption seems to be defensible. Those who urge that there should be no exemption at all, or a very slight one, forget that they are running counter to the whole theory of the general property tax which has hitherto been at the basis of American fiscal policy. The $3,000 exemption, then, does not involve any serious departure from accepted principles of fiscal justice.

The real defects of the income tax law are entirely different. In the first place, no attempt has been made to introduce a differentiation of taxation; that is, to distinguish between the rate on earned and unearned incomes. This scheme was indeed

suggested during the discussion in the shape of a formal amendment.[1] But its full import seems to have been misunderstood, and in the haste of the elaboration of the Bill, the matter was allowed to drop. It must be remembered, indeed, that the question of differentiation of taxation was agitated in England for half a century; but it is also true that differentiation was finally accepted before graduation—the one in 1907, the other in 1910. In our present law, on the other hand, the principle of graduation has been accepted, but it still remains to introduce that of differentiation. It is to be hoped that this will not long be delayed.[2]

The second defect in the law is the failure to introduce proper administrative methods, so far as ordinary business incomes are concerned. The principle of stoppage at source is not applicable to most of these. It is well known how England has had to struggle with schedule D. Instead, however, of utilising the lessons which can be drawn from the English experience, the framers of our law have preferred to leave the matter alone on the ground that too much must not be attempted at once. It remains to be seen whether a simple declaration by the taxpayer, even as amended by the Government officials, will suffice to prevent a repetition of the enormous frauds and evasions which were common to our income tax laws of the Civil War period. It is indeed true that the far greater part of the tax is to be collected according to the principle of stoppage at source; but there seems to be no good reason why such an enormous loop-hole should have been left open in the case of ordinary business returns.

These, however, are the only important criticisms to be urged against the law. So far as the stoppage-at-source principle is concerned, we have seen that in the main it is not only defensible, but constitutes a distinct advance, even though it might have been desirable to substitute in part, at least, the information-at-source principle.

Taking it all in all, the law must be pronounced an intelligent and well-considered effort. It will need amendments in detail to make it completely equitable in principle, and fairly smooth in operation. But when we compare it with our preceding ventures in this field, we may be proud of what has been accom-

[1] By Senator Crawford, approved by Senator Cummins. *Congressional Record*, pp. 4233, 4280, Aug. 27, 29, 1913.

[2] Senator Williams mentioned this as well as other possible improvements in a speech beginning: "What we are doing with this income tax is a totally different thing from what we hope to do some day." *Congressional Record*, p. 4189.

plished. Indeed, the law may be declared to be in many respects superior to any other existing income tax laws. With the passage of time, and with the settlement by economic science of some of the moot points in the theory of income, it may be expected that the law will gradually win its way to public recognition.

Of the wider question involved as to the probable future of the federal income tax and its position in the whole field of public revenue, this is no place to speak. The gradual development of income taxes in some of our States and the feeling that a large revenue from personal property or its income is needed by our States and municipalities rather than by our federal government; are weighty considerations that must not be overlooked. It is interesting to observe that even during the discussion of the present law the proposal was made that a part of the proceeds, at least, be returned to the States. Had not this suggestion emanated from a source that was undisguisedly opposed to the very idea of a federal income tax, it is not impossible that it would have received fuller recognition.[1] Whatever the future, however, may have in store as to the interrelations of federal and State revenue, it is probable that the income tax has come to stay. Let us be thankful that it has come in such a shape, and let us look forward with hopeful anticipation to a future in which the income tax, improved and amended, will play its important part in bringing about greater justice in American taxation.

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[1] According to the proposition of Senator Dillingham, who presented a joint resolution introduced into the Vermont legislature, the entire proceeds were to go to the States. *Congressional Record*, Sept. 8, p. 4881. In Mr. Copley's scheme for a highly graduated tax the surplus only was to go to the States. *Ibid.* p. 1214.

REVIEWS

Business Cycles. By WESLEY CLAIR MITCHELL. (University of California Press. 1913. Quarto. Pp. 608. Price $5.)

PROFESSOR MITCHELL'S massive work—by far the most elaborate treatise on the subject that has yet appeared in the English language—must command the attention of all students of industrial fluctuations. A great quantity of material has been brought together in statistical tables and convenient charts. This material has been carefully examined and set in relation to the more general facts of business history during the last twenty years; and on the solid foundation thus prepared Professor Mitchell has developed, in the third part of his work, an analysis of business cycles in general. I shall endeavour in this review to indicate in broad outline the main drift of the author's argument.

The point of view and the method followed are made clear in the following passage:—"Business cycles get their economic interest from the changes they produce in the economic well-being of the community. This well-being depends upon the production and distribution of useful goods. But the industrial and commercial processes by which goods are furnished are conducted by business men in quest of profits. Thus the changes which affect the community's well-being come, not from the processes which directly minister to it, but from the process of making money. . . . Accordingly the conclusion holds that an investigation into the ebb and flow of contemporary economic activity must concern itself primarily with the phenomena of business traffic—that is, of money-making" (p. 26). In accordance with this conception, Professor Mitchell, after a short discussion of the economic organisation of modern industrial communities and of the annals of business from 1890 to 1911, proceeds, in the course of some 350 pages, to present and comment upon statistical data concerning the business cycles of 1890–1911 in the United States, England, France and Germany. The data have reference to the prices of commodities, wages, the rate of interest, the prices of

shares, the volume of business, the currency, the condition of the banks, saving, investments, profits and bankruptcies. "This collection of statistical data has been made on a definite plan. Every chapter bears upon the crucial problem of business profits, either by dealing with factors which determine profits, like prices and the volume of trade; or by dealing with necessary conditions of the successful quest of profits, like the currency, banking. and investment; or by offering direct gauges of business success and failure, like the statistics of profits themselves and of bankruptcies" (p. 92).

The statistical part of Professor Mitchell's work does not lend itself to detailed discussion in a review. I will, therefore, merely note a few special points :—(1) In his consideration of prices, the author suggests that, in times of crisis and in times of intense activity, the ordinary published tables probably understate the real fluctuations, because "many transactions are made on the basis of concessions from or additions to the standard values" (p. 93). (2) "The comparison of months shows that producers' goods reached their highest point [of price] earlier in 1907 than consumers' goods, and were on the down grade several months before the panic broke out. Their decline in 1908 was also greater in degree, their recovery began sooner, and proceeded at a faster pace" (p. 99). (3) Professor Mitchell believes that "relative prices are squeezed together by the pressure of business depression, and spring apart when the pressure is relaxed by business activity" (p. 110). All that his mathematical argument seems to prove, however, is the obvious fact that the absolute differences prevailing among a number of low prices are apt to be less than those prevailing among a number of high prices; and the same remark applies to his analogous argument about wages (p. 134). (4) "The common statement that during periods of depression bonds rise while stocks fall requires qualification. Bonds did not rise during the dull months January–July, 1901, and stocks did rise during the dull months January–September, 1908" (p. 208). An interesting account of the needed qualifications is offered. (5) "Hard times and unemployment in Britain do not drive people [to emigrate] abroad so much as good times and full employment elsewhere attract them, or enable their friends who have gone before to send back passage-money. In Germany, on the contrary, conditions at home appear to be the factor of greatest weight. The dull times after 1890 led to an increase in emigration; and the return of prosperity led to a decrease" (p. 226). (6) The output of pig-iron fluctuates much more widely than that

of coal, largely because "coal is burned every day a factory runs, but pig-iron and its products are bought in much greater amounts when factories and railways are striving to increase their equipment than in duller seasons" (p. 230). (7) The amount of investment loans to business enterprises "falls off heavily in a long period of depression, and increases rapidly when prosperity returns. . . . The first year or two of depression may be marked by very heavy loans to business enterprises. But most of these loans represent the funding of floating debts incurred in the later stages of prosperity, rather than the extension of business enterprises" (p. 405). The above sentences are taken from a large number of other interesting observations occurring in the course of the statistical chapters.

So far I have spoken only of the first 446 pages of Professor Mitchell's work. The purpose of these pages is to provide suggestions and materials for attacking the problem of Part III. "This problem is to account for the rhythmical alternations of prosperity, crisis, and depression which occur in the modern business world" (p. 449)—or, in other terms, to provide a descriptive analysis of business cycles centred about the prospect of profits. This problem, in my judgment, is attacked with much success. Under Professor Mitchell's guidance we watch first the beginnings of revival after a period of depression. The business world, forgetting past distresses, thinks better of the prospects of profits. This increasing optimism is reflected immediately in the rising prices of stocks and in an increase in physical productivity. But commodity prices, for some time yet, remain low, and may even fall a little, since it costs less per unit of product to produce nearly up to the full capacity of a plant than to work at half pressure. Soon, however, a critical point is reached, after which extra output involves higher prices. Raw materials rise most, then partly finished goods, then finished goods at wholesale; while retail prices are the steadiest of all. The movement spreads from one industry to another as prosperity breeds confidence. "Perhaps the buoyancy of a grocer gives a lumber dealer no adequate reason for altering his conservative attitude towards the business projects upon which he must pass judgment. Yet, in despite of logic, he will be the readier to buy if his acquaintances in any line of trade have become aggressively confident of the future. The fundamental conditions affecting his own business may remain the same, but his conduct is altered because he sees the old facts in a new emotional perspective" (p. 455). As the boom progresses, increasing demands for loans and labour raise the discount rate

and the rate of wages—the latter in reality even more than in appearance, because inferior workmen have to be called into employment. These things mean increasing costs and so check the profitableness of further expansion. Professor Mitchell speaks of them as strains that are, in the end, responsible for the break-up of the boom. In arguing thus he ignores the influence of the business world's discovery that some investments have been made in an over-sanguine spirit, which, when it occurs, must overthrow confidence and foster a downward movement. As regards the process of this movement, however, Professor Mitchell's guidance is sure. The important part played by the policy of the banking system in determining whether or not the corner can be turned without the outburst of a monetary panic is very clearly brought out: and the development of the depression that follows is described as carefully and with the same full knowledge as the budding prosperity from which it emerged, and to which, as the clouds of business pessimism disperse, it will again return.

These summary remarks, it need hardly be said, give the merest skeleton of Professor Mitchell's analysis. Hence, though I have refrained from certain minor criticisms that might have been made, they inevitably do injustice to his work. For the great value of this lies in its realism and concreteness—in the fact that the skeleton does not appear as a skeleton, but as a being of flesh who lives and moves. In displaying him with such vividness, force and care, Professor Mitchell has deserved the thanks of all economic students. The University of California may be congratulated very heartily on the publication of this third volume of its Memoirs.

A. C. Pigou

Les Crises Industrielles en Angleterre. By Michel Tougan-Baranowsky. Translated from the second and revised Russian edition by Joseph Schapiro. (Paris: Giard and Brière. 1913. Pp. 476. 12 francs.)

Les Crises Périodiques de Surproduction. By Albert Aftalion, Professor of the Faculty of Law at the University of Lille. (Paris: Marcel Rivière. 1913. 2 vols. Pp. 324+418. 16 francs.)

It is with some misgiving that one opens a new work on commercial crises. One can hardly avoid expecting to find the same professed reference to facts followed by the same retreat

into a maze of superstitious word-weaving—the same determination to burrow below mere monetary phenomena followed by the same relapse into monetary terms at all critical stages of the argument. And in the present instances one is only to a limited extent disabused.

M. Baranowsky's celebrated history of English crises, first published in 1894, has become the starting-point for a whole school of German speculation on the subject, so that its appearance in a new language, with the narrative brought up to date and the theoretical portions revised by the author, is a matter of some interest. Yet it must be confessed that there is a certain sketchiness about each of the three parts into which the work is divided, as well as a certain lack of cohesion between them, which in view of the length and solidity of the volume is somewhat disappointing.

The first part consists of a historical review of English crises from 1825 to 1907. It contains a mass of information agreeably presented, and certain features, especially the relative importance on various occasions of domestic and foreign influences, are well brought out. In view, however, of the criticism directed in the second part against Juglar and other writers for their preoccupation with phenomena of circulation and credit, it is rather disappointing to find that the author's own narrative deals almost exclusively with such phenomena, and that little or no attempt is made to discuss the fluctuations of production or consumption. It is difficult, moreover, to reconcile the two main inferences which he draws from his historical study—the intimate connection of crises with the system of capitalistic or "roundabout" production, and their diminished severity in England as the output of production goods has increased in importance compared with that of consumption goods. His contention that the former are produced mainly for special order loses much of its force when we consider the (*ex hypothesi*) large variability of the demands of those by whom the special orders are given.

The third part of the book is also historical, and deals with the social reactions of industrial fluctuations. A number of different topics, including Chartism, the cotton famine, and the Trafalgar Square riots, are discussed in some detail. The main upshot would appear to be the tendency to a correspondence between the alternations of industrial boom and depression with the alternations of purely trade and quasi-revolutionary action on the part of the working classes; but in spite of the wealth of erudition displayed, the impression conveyed is rather one of a

readable series of isolated historical essays than of an illuminating study in proper perspective of the complex aspects of the working-class movement. The most interesting passage is that in which the author points out the weakening in recent years of the old correlation between the curves of unemployment and of money wages, marriage-rate, pauperism, and other indices of working-class prosperity. This he attributes, probably with some justice, to the increased power of trade organisations; but it does not occur to him to ask whether the stability of money wages, etc., thus attained is not dearly paid for by avoidably large fluctuations in employment—a question rendered more pertinent by the ominous fact to which he draws attention, that the curve of *criminality* rose enormously during the 1908–9 depression.

Between these two historical studies the author sandwiches his theoretical explanation. The first chapter is occupied largely with an exposure of the classical doctrine of markets which appears to be based on a pure misunderstanding. With a great flourish of trumpets, M. Baranowsky announces his "paradoxical" discovery that, owing to the accumulation of fixed capital, the aggregate production in a society may exceed its aggregate revenue *in consumable goods* without a rupture of equilibrium between demand in general and supply in general. But there seems no reason to believe that the classical school in its most abstracted moments was unaware that while the consumable capital annually "saved" is consumed by the makers of the instrumental goods for which it is in effect exchanged, these instrumental goods themselves are consumed, *i.e.*, held in use, by the capitalist class; and it seems almost equally difficult to credit that the crowd of honest Germans who throng M. Baranowsky's triumphal car really believe that his suggested compromise between the classical and the Sismondian laws of markets solves the analytical difficulty.

It is, however, M. Baranowsky's own self-satisfaction with his discovery which prevents him from attempting to explain further the precise nature of that over-investment in the means of production upon which he rightly insists as the dominant cause of modern fluctuations. He is content to assume its reality, and to explain its periodicity by the irregularity of the flow of savings into permanent investment. During the depression the incomes of the salaried and capitalistic classes are allowed to accumulate; but at length "un moment doit arriver" (we are not told when or why) when they become restive under their captivity in banks and government securities, and force their way into permanent investment until they are all exhausted, and the source of the

demand for instrumental goods having dried up, over-production and renewed hoarding result.

So it *is* all a matter of money, of stocks of gold and structures of credit, after all! It is tantalising that M. Baranowsky should be so near and yet so far. If only it had struck him that the fundamental aspect of the crisis is the failure, not of monetary purchasing-power, but of the real savings of consumable goods, the needed consistency might have been brought into his work: and it might have occurred to him, among other things, that the excesses of the boom being due not merely to the automatic savings of individual capitalists who cannot think what to do with their surplus incomes, but to the genuine uncertainty of the future yield of present investment, the disappearance of crises is by no means certain under the collectivist *régime* upon which, in conclusion, he pins his faith. Meanwhile, we may be grateful to him for his patient research and for his suggestive, if not very robust, excursions into abstract reasoning.

To turn now to M. Aftalion. Like the aged crone in Stevenson's fable, he sings a song as long as years, and it must be confessed that the wind sometimes whirls him widdershins on the beach. Yet I do not think any patient reader will deny that this is, on the whole, very much the most suggestive and original work that has yet appeared on this most important problem. M. Aftalion starts well by announcing his intention of eschewing vague and miscellaneous narrative and of relying for his results upon statistical evidence on the one hand and pure economic reasoning on the other. Accordingly, his first three books are occupied with a statistical study of the fluctuations respectively of prices, incomes and costs, or (inversely) productivity (what the late Dr. Pierson would have called *labour-price*). From this study (in which he is a good deal embarrassed by the inadequacy of the price-statistics furnished by the French *Commission des Valeurs de douane*) the author draws three main conclusions: that the movements of price dictate those of the other phenomena; that these movements, while most persistent in the instrumental trades, are apparent also, as a rule, in those consumptive trades which are organised for production on a large scale; and that the fluctuations in profits are greater and those in costs less than the fluctuations in price.

In the next book M. Aftalion turns to a criticism of current theories. He exposes well the sophistries of those who try to make their peace with the law of markets by supposing an over-production in one industry to be in some manner "generated

by repercussion" among the rest. The "under-consumptionists" are demolished; and the fluctuations in credit and in the volume of savings are declared to be the effect and not the cause of those in general prices. His criticism of the "savings" theory, however, is somewhat confused: while in one place he rebuts M. Baranowsky's contention of the deadly effect of the exhaustion of savings by an appeal to the principle that "the source of demand for commodities is simply commodities," he never elsewhere challenges that author's assumption that raw savings exist simply in the form of bank-balances, etc., and not of consumable goods. That M. Aftalion's mind is never clear on this point is shown by the naïveté with which he speaks of a purchasing-power superior during the depression to the volume (not of *consumption*, but) of *production*, and by a lamentable chapter in a later book, in which he discusses what he calls *fonds de subsistances* as a phenomena quite distinct from *épargnes*, and makes the curious statement that they are deficient at the turning-point of the depression and abundant at the moment of the crisis. In his discussion of saving, M. Aftalion is already on the outskirts of that monetary miasma which, throughout large tracts of the second volume, almost wholly conceals his mental processes from view.

This second volume begins with a discussion (supported by much statistical evidence of varying novelty and value) of the fluctuations of production, which contains some of M. Aftalion's most valuable and distinctive work. He finds that the curve of production of fixed capital does not coincide with that of aggregate production and general prices, but lags behind it by an interval of from one to three years; and he infers that the intense demand both for consumable and for fresh instrumental goods is prolonged, and the ultimate over-supply (whatever that may be held to mean) of both aggravated by the length of the period of production, *i.e.*, by the length of time which, under a *régime* of roundabout production, must elapse before fresh consumable goods can be brought in any considerable quantities to the birth. This is, of course, in reality an aspect of that doctrine of quasi-rent long familiar to English readers; but it has not, I think, previously been explicitly invoked by writers on this subject to explain the periodicity of trade fluctuations, and its importance is manifest. In this connection, the figures given by M. Aftalion from the *Statistique de l'Industrie Minérale* of the horse-power of the machinery in use in various industries are of considerable interest.

There remains, however, the difficulty of the shortness of the

period of production compared with the length of the trade cycle. For example, a study of the English cotton-spinning and ship-building trades shows that the period in these trades rarely exceeds eighteen months.[1] M. Aftalion is no doubt right in invoking the movement of demand, though he does so in a half-hearted and rather confused fashion. His determination to ignore agricultural influences, his oblivion of the existence of stocks of real capital the proportion of which, directed to investment, may be altered, for instance, by some great invention, and above all his haziness as to what the revenue or purchasing-power of a society really consists in, all prevent him from admitting the probability of large fluctuations in demand. The matter cannot be argued at length in a review; but it may be remarked, by the way, that one great advantage of M. Aftalion's theory, an advantage which he does not himself appreciate, is to suggest how several successive independent ripples of demand may be made by the period of production to coalesce into the appearance of one long continuous wave.

In his tenth book, M. Aftalion introduces us to his second leading conception. The ultimate consequence of the long period of production is a general over-production, in the sense of a general lowering of marginal utilities, indicated by a general fall of prices. With the vindication of the law of markets only some three or four hundred pages back still comparatively fresh in our minds, we are at once impelled to ask why anybody should be depressed at this, since values in exchange are unaltered and total utilities are increased. But M. Aftalion is not to be hurried: in a series of chapters of almost unbearable perversity, he first turns upon his old ally the law of markets, and proves, with the aid of a number of pictures of straight lines, that a *surproduction* of one commodity does not necessarily lead to a *sous-production*, in the sense of an actual decrease of production, of any other—a proposition never, so far as I know, maintained by anyone—and then discusses the relation of his theory to the quantity theory of money. He does not dispute the validity of the latter over long periods, but maintains that within the trade cycle its action is superseded by the variations in the "intensity of wants"; though, indeed, it does not appear what there is inconsistent with the quantity theory in his contention, for the "novelty" of which he apologises in many pages of his most persuasive French, that other things being equal an increase in the aggregate of production will lead to a fall in the index-number of general prices.

[1] M. Aftalion's grouping of years into periods of large and small production of fixed capital seems somewhat arbitrary. The annual figures perhaps indicate a shorter period than he is willing to admit.

Probably all that he means to express is that the marginal utility of money is more constant between boom and depression than that of commodities; but since this is apparently the source of all the trouble, it is not clear why he should regard it as either desirable or inevitable. The fact is that M. Aftalion in this book succumbs almost without a struggle to the natural tendency of Man the Producer to regard abundance as in itself an evil. As is so often the case, his mental vices are most naked when he relapses into poetical expression—to wit, an unfortunate series of metaphors in which the flow of commodities is compared successively to a swarm of malignant microbes and to the flow of calories by which a room is "fatally overheated." Moreover, the whole argument is obscured by a confusion between the demand for money in the two senses of the amount of present commodities and the amount of future money which will be offered for a unit of commodity—a confusion which leads him to suggest that during the depression there is a plethora and not a scarcity of effective currency. Only once in this discussion does M. Aftalion emerge into full daylight—in an effective criticism of Professor Fisher's elaborate "equation of exchange" as a mere *constatation* and as throwing no light on the initial origin of periodic disturbance.

But in Book X., chapter viii., he pulls himself together, and makes one of his most pregnant and searching suggestions. The trouble, it is now suggested, is due not to the mere decline in the marginal utility of commodities, but to a rupture of equilibrium between their marginal utility and marginal cost of production. The six pages in which this theory is presented are worth in some ways the whole of the rest of the two volumes. They seem in effect to contain in embryo three separate propositions. (1) Owing to the stability of money-rates of wages and interest, the entrepreneur finds his real expenses fall less rapidly than his real return. Since industrial policy is in his hands, he either, by withholding stocks and maintaining a comparatively high level of prices, imposes a kind of compulsory saving upon *rentier* and workman, or else, by restriction of production, succeeds finally in diminishing their real incomes; in either case what seems at first sight a mere transference of purchasing power leads, owing to the specialisation of productive functions, to a net diminution of *consumption*. (2) During the depression the expenditure of effort, owing to a miscalculation of its productivity, is greater than is desirable if—not the total but—the net satisfaction derived from commodities is to be as great as possible. Now there seems a good deal of reason to suppose

that this is true during, at any rate, the latter part of the *boom*; but the loud complaints of want of employment seem to disprove the existence during the *depression* of that high value attached to immunity from effort as compared with material wealth which the theory requires. It explains why consumption should fall off somewhat during the "depression," but it does not (especially when we regard the accumulation of stocks) assist at all in explaining the features of depression as we know them: nor, so far as one can see, does M. Aftalion, though he suggests it, ever explicitly affirm that it does. (3) But finally, and most important, a large proportion of the real costs have been already expended during the boom, and are, as it were, crystallised in the form of fixed capital. The problem of the meaning of over-investment is solved: it is simply the failure to secure the equality through time of the marginal utility of consumable goods.

It is not, indeed, clear how definite these propositions are in M. Aftalion's mind. Probably he is too hazy as to the real nature of saving and too little aware of the importance of consumption instead of price as the ultimate test of prosperity to realise their full bearing. Certainly he does not see that the only legitimate inference from the third is that all cause for depression is over at the end of the period of "prosperity," and that the "depression" might be a time of roaring prosperity if only everybody would work as hard and produce and sell as much as possible. If he has an uneasy feeling that this is not true, it is owing to the natural instincts of Man the Producer and not to the realisation that a heavier indictment can be brought against the law of markets than any which he or M. Baranowsky have devised—the indictment that it also thinks too much about price, or rather about relative values, and too little about those changes in the volume of production and consumption which, in accordance with varying elasticities of demand, are likely to arise in a *régime* of division of labour from variations in the ratio of exchange. But that is another story: at any rate, it is this chapter, taken in conjunction with his earlier disquisition on the period of production, which justifies in the eyes of the present writer the claim of M. Aftalion's work to be regarded as the most suggestive contribution, except perhaps that of Jevons, ever made to a constructive theory of fluctuations.

But alas! when it is over, M. Aftalion retires into his cloud. One piece of argument is worth reproducing at some length. Why is it, he asks, that during the depression the slight decrease which he detects in aggregate production does not lead to a check

in the fall of the index-number of general prices? Well, he replies, in the first place, it is only the production of instrumental goods that diminishes, and this could not be expected to affect the general price-index, which is compiled chiefly from consumable goods. (Has he forgotten already both his contention of the exceptionally large fluctuations in the price of instrumental goods, and consequently the probability of their large influence on the course of any ordinary index-number, and also his assertion of the participation of most consumable goods in price-fluctuations?) Secondly (and in direct contradiction!), the aggregate income of society depends in part on the aggregate of goods sold, so that the diminution in production *pro tanto* decreases expendable income and aggravates the fall in price. Thirdly, if it is suggested that the reduced expenditure by non-instrumental producers on instrumental goods will leave a larger surplus for expenditure on consumable goods and so raise their price, it is replied that the demand for consumable goods does not respond to this influence, and that owing to the diminution in money incomes (which, in view of the increase in non-instrumental production, is merely another *aspect* of that fall of price of which it is here invoked as the *cause*) money will be hoarded—in other words, there will be a scarcity, and not (as previously suggested) a plethora of available currency.

But it is never fair to follow a gifted writer into the purlieus of his own brain. It is better to conclude by once more thanking M. Aftalion for the force and pregnancy of his two *idées maîtresses* —the period of production and the rupture of equilibrium between effort and result,—to pray for further statistical discussion of the former and further analytical development of the latter, and to commend him for his reminder to M. Baranowsky and the Socialists that it is in capitalism as an economic and not merely as a juridical system that the seeds of crises are inherent.

D. H. ROBERTSON

British Budgets, 1887-8 *to* 1912-13. By BERNARD MALLET, C.B. (London: Macmillan & Co. 1913. Pp. xxiv. + 511. Price 12*s*. net.)

THE aim of this book is to carry on to our own time the work begun by Northcote's *Twenty Years of Financial Policy*, and continued to 1886 by Mr. Sydney Buxton's *Finance and Politics*. The first 350 pages give a convenient account of Goschen's six Budgets, Harcourt's three, Sir Michael Hicks-Beach's seven, C. T. Ritchie's one, Mr. Austen Chamberlain's two, Mr. Asquith's

three, and Mr. Lloyd George's four. The next fifty-eight pages give the actual figures of these twenty-six Budgets, and are followed by sixty-two pages modestly entitled "Notes on the succeeding Tables." Then come twenty-four tables, most of which give comparative details for the twenty-six-year period.

We can imagine Mr. Mallet, who now records our births, marriages, diseases, and deaths, looking across the quadrangle of Somerset House to his old quarters with some regret for his former more exciting occupation of tax-gatherer. The most odious occupations inspire a certain professional pride in the minds of those who follow them, and the art of extracting money by compulsory methods has certainly flourished exceedingly in the last quarter of a century. In that period the revenue of the United Kingdom from taxes in the ordinary sense of the word has very nearly doubled, and that does not include the millions compulsorily collected from employers for sickness and unemployment insurance, which Mr. Mallet suggests may some time be found to have shown how to get over the difficulty of collecting income-taxes from small income-receivers.

Table I. (which would, I think, have been much improved by distributing the Local Taxation subsidies between their various sources) shows how the thing has been done. The observation of Swift's friend that in the arithmetic of the Customs two and two did not make four but something less, aided by the prevalent objection to taxing necessaries, has prevented the Customs and Excise from increasing more than by nearly one-half, but both the income-tax and the property-tax which is levied at irregular intervals and known as the death-duties, have a little more than trebled in their yield, providing between them no less than 47 millions in excess of what they brought in at the beginning of the period. Of this sum I gather that about 30 millions is due to the changes in rates and graduation which have been introduced. If the death-duties had remained unaltered, their yield, instead of nearly doubling, would have been nearly stationary since the beginning of the present century, the most obvious cause being the great depreciation in the capital-value of nearly all kinds of property which has taken place in consequence of the rise of the current rate of interest. If we may regard that phenomenon as a temporary one, to be followed now by a rise to the level of 1898, we may expect to see in the next dozen years or so an enormous rise in the yield of the death-duties above the present amount of 25 millions, if the existing rates remain unaltered.

Where does all the additional money go to? The army and navy expense has increased just 40 millions, and the "Social Services" expense (Education, Old-age Pensions, Labour Exchanges, and Insurance Commissions) about 30½ millions. It may perhaps be suggested that the South African War falls within the twenty-six-year period and somewhat vitiates the comparison, inasmuch as it was largely financed by borrowing which has not yet been repaid; it does not seem unreasonable, however, to regard the extra cost as having been met by the whole of the annual redemptions of debt which have taken place in the period, including the years before the war, and these very nearly balance it.

In face of such figures, Mr. Mallet treads delicately, as well he may, when he thinks of the various feelings to which they give rise in the breasts of different parties. He shows some hankering after principles which might command the agreement which in a simpler age was apparently obtained by rules of thumb like "half from direct and half from indirect taxation." But the day for that is over. No principle will henceforth be recognised except that changes should promote the general good of the nation, and we cannot expect that to help us much; the difficulty lies in the application. The growing conviction that international anarchy, every now and then breaking into open war, is a stupid survival of barbarism involves a belief that our 72 millions of military and naval expenditure are "waste," but that is no help at all in the decision of the question whether, as things are, the amount ought to be diminished or increased. It is all very well to say that the amount of the national revenue and the sources from which it is drawn must be determined by a comparison of the advantages of different courses, but that does not help us much in deciding whether to institute a system of State insurance against sickness, or whether to collect the necessary money for it by a graduated income-tax or by a flat poll-tax. In Mr. Mallet's descriptions of the Budget speeches of the Chancellors of the Exchequer and the debates to which they give occasion, we see a people slowly feeling its way, and, on the whole, making progress, though it does occasionally bump heavily against an unexpected obstacle, and sometimes finds itself in a blind alley from the end of which it has to return.

How much expert assistance it gets from its Civil Service is not very apparent in Mr. Mallet's book. The time has not yet come when it will cease to be indiscreet to reveal that So-and-So when Chancellor of the Exchequer, revered by his own party and reviled by the other, was mere clay in the hands of the powerful

Permanent Secretary of the Treasury, and that Such-an-One, being dissatisfied with the Treasury's inability or unwillingness to provide new sources of revenue, sent for Blank of the Inland Revenue Board, who devised the scheme henceforth associated with Such-an-One's name, though he, in fact, always misunderstood its main principle. Of the seven Chancellors, Goschen was the only expert, and the example which he furnishes is not very favourable to the demand sometimes heard, that the office should be held by an expert. He was unable to carry out his ideas in their entirety, and his half-success in carrying them out confused the national finances for nineteen years, and still hopelessly confuses the finance of the localities. The system by which the expert sits unknown and able to attend to his work without the distractions caused by popularity and unpopularity seems a good one—if only it can be guaranteed that the expert *is* expert, a point on which the present arrangements can scarcely be regarded as altogether satisfactory.

The book will be extremely useful to politicians, and that not so much by giving them something to say, as by warning them not to give utterance to banalities which are already worn out. The student will find the comparative tables an immense aid in his researches.

I notice a few misprints, none worth recording except, on p. 415, "Professor Bastable Marshall."

EDWIN CANNAN

Statistics. By the late SIR ROBERT GIFFEN, K.C.B., LL.D., F.R.S. Edited, with an Introduction, by H. Higgs, C.B., and G. U. Yule. (London: Macmillan & Co., 1913. Pp. 485. 12*s*. net.)

AFTER his retirement from the Board of Trade, in 1897, Giffen took up the project of writing a descriptive and explanatory handbook on public statistics, and during the years 1898–1900 produced the treatise which is here published; but he put the uncompleted work aside and postponed again and again its continuation or revision; finally the manuscript was found among his papers and has been edited without substantial alteration or any attempt to complete it. The book suffers greatly from the want of compression, arrangement, and re-writing by the author; but his main line of thought is quite clear, and, while the intended chapters on technique are only represented by a scrappy discussion of tabulation, the principal part, which reviews seventeen branches

of statistics successively, is practically complete. The editors are to be congratulated on the accomplishment of a difficult and laborious task with judgment and success.

All who knew Giffen, whether personally or only from his writings, will be very glad to turn over these pages and recognise in them all his familiar traits, his turns of expression, and his outlook on economic problems; but they will find very little that is new to them either in facts or ideas. On the other hand, the student of descriptive economics, who has not had such opportunities, can derive great benefit from this book if he will read it thoughtfully with a modern issue of the *Statistical Abstract* at his hand. Statistical information has been developed and improved in many ways since 1900, and several pages, as the author wrote them, are no longer applicable; but essential methods are unchanged, there is still need for knowledge and experience in drawing true lessons and avoiding mistakes when handling official statistics, and perhaps no one has ever had quite so sure a touch and so developed a statistical sense in drawing the maximum of ascertained fact out of a complexity of imperfect numerical data as had Giffen at his best.

In most chapters some account is given of the discussions on economic questions which have been based on the statistics described; thus allusion is made to vaccination under death statistics, to free trade under imports and exports, to the sufficiency of the world's supply of wheat under agriculture, of coal under mineral statistics, and so on; bimetallism and the banking-reserve also find places. These digressions are fragmentary and not always illuminating, but they emphasise in a very significant way the importance of statistics to the economic student.

A useful distinction is made between administrative and sociological statistics, based on interesting historical accounts of the origin and development of various branches of statistics. In fact, in most of those cases where statistics reach back for more than a generation, they were established simply for purposes of administration, *e.g.*, so that the Treasury should have material for estimates, or that local and detailed official work might be checked; and these records must be continued in the same form. Thus it happens, and will happen, that officially compiled information very generally does not follow the lines that the economic investigator needs, and it is quite important that the divergencies should be realised in detail. Unfortunately, though our author is full of cautions and suggestions of possibilities of error, he never gives any means of measuring the numerical effect of the differ-

ences between the ideal and actual information. The application of statistics, then, remains a matter of judgment, not of scientific analysis; that this should be so is completely characteristic of Giffen's work and methods.

A. L. BOWLEY

The Farm Labourer: The History of a Modern Problem. By O. JOCELYN DUNLOP. (London: Fisher Unwin. 1913. Pp. 260.)

The Land Hunger: Life under Monopoly. Descriptive letters, &c., with an Introduction by Mrs. Cobden Unwin and an Essay by Mr. Brougham Villiers. (London: Fisher Unwin. 1913. Pp. 232.)

The Tyranny of the Countryside. By F. E. GREEN. (London: Fisher Unwin. 1913. Pp. 261.)

MISS DUNLOP'S book makes very attractive reading. The style is terse, the matter interesting, and the writer follows throughout the excellent plan of giving exact references to the authorities from which her statements are derived. The book on analysis divides into three parts: conditions before 1815, 1815 to 1880, present-day problems. The second part (Chaps. 3 to 5) is, without doubt, the strongest. The writer here draws with just liberality on her original authorities, in particular the Reports of Committees and Commissioners, concerning the Poor Laws, Allotments of Land, and the Employment of Women and Children in Agriculture. The tale of the Agricultural Unions in the 'seventies is told directly from the contemporary literature, from the *Labourers' Union Chronicle*, *The Times*, *The Congregationalist*, and Joseph Arch's *Story of His Life*. It is surprising that, in the earlier portions of her book, Miss Dunlop neglects the richest mine of all—the manifold writings of William Cobbett.

"If all England had been like Northumberland," said Mr. Tufnell, "this Commission [*i.e.*, on the Employment of Women and Children in Agriculture, 1867–9] ought not to have been issued"; and throughout her book the writer justly emphasises the difference between the North and the South of England. The North never had in any degree the curse of Speenhamland. Life there was rough and keen, but food was wholesome and there was cheap fuel for cooking and warmth and the drying of clothes. The problem of a landless labour was solved," says Miss Dunlop of the North, "by higher wages, while still in the

South every solution but higher wages was being desperately tried." But was the South altogether to blame? It must not be forgotten that the big industrial changes, in particular the growth of textile factories, had literally torn asunder the tissues of village life in the South. Spinning and weaving, as Cobbett pointed out, were dragged northwards by the Lords of the Spinning Jenny and the Loom; but girls went on being born in the South, and were driven to the fields for work which injured them and their homes, at the same time that it depressed the wages of their men-folk. And there were dark spots, too, in the agricultural North, of which Miss Dunlop says nothing, particularly in those hundreds of little farms on which the hand-loom weavers in the 'thirties and 'forties staved off for a time famine and death.

In the concluding chapters on the modern problem, the writer speaks moderately of landlords, recognising, for example, that where cottages are good they are generally in the hands of big landlords. She is very sanguine as to the possibilities of small holdings, and leans rather too fondly on the authority of Dr. Levy. But it is the opening chapter of the book which constitutes, to our judgment, the most disputable part. She accepts what we may call the theory of a cataclysm, a "before" and "after" the dividing line of the year 1760. "It was then," she writes, "that economic changes set in, which, with the assistance of an ignorant ruling class, transformed a prosperous and vigorous peasantry into a mere proletariate, ever on the verge of pauperism." Was the change anything like so catastrophic? It is remarkably hard to find proof for this from individual counties or estates. Is the writer really satisfied with her evidence to the effect that the later enclosures caused depopulation in hundreds of villages? She speaks of the old days when the smallholder had a good industrial market at his door for meat, fruit, vegetables, and dairy produce. But was it not just in these departments of agriculture, in the fruit county of Kent, in the dairying county of Cheshire, in the orchard districts of the West of England, in Devonshire, Essex, and Lancashire, with their adjacent industrial population, that the old common cultivation had already before 1760 for the most part disappeared?

The Land Hunger is a book of a different order. Dedicated to Richard Cobden by his daughter, Mrs. Cobden Unwin, it opens with an introduction which contains excerpts from the speeches of that infallible prophet. Prominent are his views on the Land Tax: "Would you believe that the Land Tax, in its origin, was nothing but a commutation rent charge to be paid to the

State by the landowners, in consideration of the Crown giving up all the feudal tenures and services by which they held the land? Yes. Exactly 149 years ago [he was speaking in 1841], when the landed aristocracy got possession of the Throne in the person of King William, at our glorious revolution, they got rid of all the old feudal tenures and services . . . which yielded the whole revenue of the State; and besides which the land had to find soldiers and maintain them." History tells a rather different tale. The feudal dues were replaced in 1660 by a grant of £1,200,000 from Customs and Excise, and they by no means represented the whole revenue of the State. When the Land Tax was imposed in 1692, personal, as well as real, property was intended to pay. But, as on other occasions, personal property slipped out, and land came to bear the whole. When Pitt imposed his Income Tax in 1798, he did what the authors of the Land Tax had failed to do, he imposed a tax which extended alike to the rent of land and the profits of industry. Nobody hated income tax more than Cobden and his followers. The book concludes with an essay by Mr. Brougham Villiers on the Remaking of England. In a few pages he finds space for most things, for the iniquities of the leasehold system in our towns and the tyranny of landlords in the country. Of the things that really matter—the fertility of the soil and the welfare of the labourer—"the landlords of England," says Mr. Villiers, "have no idea." "Any improvement in our land laws that would enable native smallholders to do for us what the Danes are doing now would be a gain to the nation at large." But though peasant proprietorship is the corner-stone of the Danish land system, Mr. Villiers will have none of it for England; for "ownership of land implies the power to sell or mortgage, and leaves the door open to a revival of landlordism by syndicates or millionaires buying up the peasant holdings." He concludes with a rap for Mr. Wedgewood and the single taxers. What Mr. Villiers would do on the constructive side, if he were made dictator, is not very clear. After breaking the landlords and breaking the big farmers and breaking the hunts, he would apparently buy up land through the local authorities (taking care not to pay too much for it), and then?—well, we must wait and see. "What we want," he says, "is not doctrines, but freedom for the new English life to replace the old."

Letters from living people in different parts of England and Scotland constitute the middle part of the book. Unless the writers' memories have strangely misled them, these letters are

evidence of sad features in our rural economy. Look at it as we will, the case of the Highland crofters is a tragedy. The Crofters' Act of 1886 and the Pentland Act of 1911 certainly came none too soon. The Highlands are losing their population, without a doubt. How far this is due to the ruthlessness of landowners and how far to wider causes, such as the superior attractions of life in the towns and the colonies, is a question which, unfortunately, cannot be answered by appeal to isolated examples. The so-called "constructive" letters from English correspondents are not very helpful. One proposes Garden Villages for the Million, another a National Land Trust for the purchase of farms voluntarily put on the market. A lady, who has been successful with goatlings and their milk, is of opinion that, if small experiments like these were extended through the counties, it would be the salvation of England. But we must not close on a note of banter. Idealism is a very precious thing to a country. Contact with the land excites it as nothing else does. Our quarrel with land reformers is rather that they hope for too much from the mere destruction of the present system, and underrate the enormous call which will be made on them, if ever they come into power, for technical knowledge and sober scientific organisation.

Mr. Green's book is very personal and very eloquent. He relates conversations with labourers and others who have suffered at the hands of unjust and ungenerous landlords, he has a flaming chapter on the Fox and the Hen, and an amusing one on Village Politics, from which we extract the following: "Quite recently I mentioned Miss Christabel Pankhurst's disappearance to a cottage woman. 'Who may she be?' she asked me. They may know who Lloyd George is, but Bonar Law they imagine to be some Act of Parliament." Finally, he challenges the Board of Trade figures for agricultural earnings. "The information is based entirely on the figures given, not by the labourers, but by their employers." As Pilate said, What is Truth?

C. R. FAY

How the Labourer Lives. By S. ROWNTREE and MAY KENDALL. (London: Nelson. 1913. 2*s*.)

THIS interesting book contains an introduction describing briefly the nature of the rural problem in so far as it is concerned with the agricultural labourer, a short chapter on agricultural wages, a long chapter setting out particulars of forty-two "budgets" of agricultural labourers and their families, followed by a commentary upon the moral to be drawn from them, and a

final chapter on "The Labourer's Outlook." The first thirty-five pages of the book state in a summary form facts which will be known to students of official publications, but which it is convenient to have brought together and epitomised with the admirable and concise lucidity of which Mr. Rowntree long ago showed himself a master. The proportion of the population living in rural districts fell from 49·8 per cent. in 1851 to 32·1 per cent. in 1881, and from 32·1 per cent. in 1881 to 21·9 per cent. in 1911. Of the agricultural workers in England and Wales 70 per cent. are hired labourers "having no direct financial interest in the success or otherwise of the work in which they are engaged, and only 30 per cent. farmers, small-holders, or members of their families." The number of agricultural labourers is diminishing; between 1881 and 1901 it fell by 27·7 per cent., partly through immigration into towns, partly through actual emigration. ("The number of adult male agriculturists who emigrated from Great Britain to non-European countries rose from about 9,000 in 1900 to . . . 33,000 in 1911.") The results "are serious, whether considered from the standpoint of national physique or national character," and "there is not the least doubt that the decrease in the number of agricultural workers, although partly accounted for by the introduction of machinery, means that the soil on many farms is not being adequately cultivated." The cause is not the superior attractions of the towns, but partly low wages and partly the absence of any prospects in the country. The evidence for the first statement is given in the short account of agricultural wages contained in Chapter II. Applying the standards set out in his book on York, with such modifications as are needed in dealing with rural life, and using the figures given in Vol. V. of the *Report on Earnings and Hours of Labour*, Mr. Rowntree comes to the conclusion that the average earnings in every county except five of England and Wales fall below the poverty line. The evidence for the absence of prospects (though it is hardly needed) is derived from personal inquiries conducted in several hundred villages: "They go because there's nothing here."

The most novel part of *How the Labourer Lives* consists in the forty-two "budgets" which the authors have collected. Naturally, so small a number can only illustrate facts already known or suspected. But they are of great interest as offering concrete specimens of the way in which agricultural labourers actually live. "Eight families, with an average of 4·6 children, have incomes (including perquisites) of less than 15*s*., averaging 12*s*. 3*d*.; nine families, with an average of 4·3 children, have

incomes of 15*s.* to less than 17*s.*, averaging 15*s.* 8*d.*; twelve families, with an average of 4·0 children, have incomes of 17*s.* to less than 20*s.*, averaging 18*s.* 4½*d.*; and thirteen families, with an average of 5·3 children, have incomes of 20*s.* or over, averaging 22*s.* 9*d.*" Using Professor Atwater's standard of requirements, the authors come to the conclusion that, "on the average, the forty-two families investigated are receiving not much more than three-fourths of the nourishment necessary for the maintenance of physical health." Meat, if consumed, is reserved often only for the man; in one household no milk at all was used; and fifteen households used only condensed, skimmed, or separated milk. The amount spent per week on luxuries ("everything apart from food, household sundries, rent, clothing, medicine, and insurance") averaged ¾*d.* per person. "Do you write to your children?" a woman was asked. "No," was the answer, "we can't afford stamps."

If there are any readers of THE ECONOMIC JOURNAL who, like the writer of this review, are weak enough to sigh in the midst of statistics for faces and voices, they will not be disappointed with this little book. For the form in which the budgets are presented —facts interspersed with conversation—make them more entertaining than such documents usually are. "Entertaining" is a ridiculously inept word. For the picture is terrible and sombre, and made more overwhelming by the solemn patience of the figures who compose it. One's mind travels back to the greatest record of rural life in history, the *Cahiers* of 1789. But in these pages there is only an occasional glimpse of an attitude which is not acquiescence. "What was the land sent for, if it wasn't for the people to live off?" "It's God's land, ain't it, not his?" "Ah, old man, when you die, you won't take anything with you, only yourself. . . . Them that have the least now will have the most then. We've got Hell here. . . . But I believe Hell's their place what don't look after the poor." "There will be better times even if we don't see them. Yes, maybe our children will see them."

R. H. TAWNEY

The World of Labour. By G. D. H. COLE. (London: G. Bell and Son. 1913. 5*s.* net.)

THIS book attempts a new synthesis. It was inevitable that, sooner or later, someone would essay the task of restating the theory of Socialism in the light of modern Syndicalism. And this is really what Mr. Cole does, though the sub-title of the book—

"a discussion of the present and future of trade unionism"—would probably not prepare the reader for it. Perhaps Mr. Cole's position may be described by calling him a Fabian Socialist who has assimilated a good deal of Syndicalist doctrine, and has come under the influence of the "Guild Socialism" of *The New Age*. It is not altogether without significance that *The World of Labour*—the most important book on trade unionism since Mr. and Mrs. Webb's *Industrial Democracy*—should be so different from that book in its point of view and its conclusions.

The book, unlike most books on economic subjects, has a frontispiece in the form of an excellent cartoon by Will Dyson, showing Mr. Sidney Webb diagnosing the ills of Labour—a recumbent figure, evidently in a fright; a number of prominent Socialists are grouped round, and in the background is Mr. Bernard Shaw looking very much like Mephistopheles. The cartoon, if we may say so, is a great addition to the book. Of the book itself much could be said; of its merit there is no doubt whatever, and even those who are unable to swallow much of the teaching will agree that it is a notable contribution to our literature on the subject.

The account which is given of the labour movement in France and America and, in less detail, in Italy, Germany, and Sweden, is extremely useful, especially the chapter on France, in which Mr. Cole traces the rise and present position of Syndicalism. When he comes to consider the trade union movement in this country he is unsparing in his criticism, and though probably a good deal of it is deserved, he does less than justice to the capacity of many trade union leaders who might be named. The real bone of contention with Mr. Cole is that the movement has lost its fighting spirit and become respectable. "Respectability," he says, "is the death of all working-class movements." On the question of trade union structure and government he has undoubtedly a good deal to contribute which is of value. Indeed, these chapters are the strongest in the book. The possibilities and the limitations of the different types of trade unions,—craft, occupational and "industrial,"—are fully discussed, with reference to the existing state of organisation and the circumstances of particular occupations. Mr. Cole's only principle is to urge that form of organisation which will best conduce to solidarity, and he recognises the futility of laying down for the trade union movement as a whole a definite form of organisation. Though favouring amalgamation, he admits the difficulties which many unions will meet, and whilst laying bare the weaknesses of federation, he recognises that this

form of industrial organisation will be needed. From the trade union point of view, the suggestions made regarding the organisation of lowly skilled labour are excellent. Mr. Cole is no advocate of an all-comprehensive union. He seizes on the General Federation of Trade Unions as a nucleus of an organisation which shall co-ordinate trade union effort and at the same time take over the General Labourer Unions, and act as a sort of "clearing house." In the chapter on trade union government, the relations between central control and local autonomy are carefully worked out. Again, Mr. Cole bears in mind the wide differences which already exist from union to union. On these matters trade unionists have much to learn from the book. At the same time, one cannot help feeling that Mr. Cole hardly does justice to the trade unions, probably because he has not had a long enough acquaintance with them. He writes with the magnificent intolerance of youth. Most people will agree that a well-organised and efficient trade union movement is desirable, and will therefore not be inclined to quarrel with the objects of the "Greater Unionism." The revival of the strike weapon, however, will not be viewed with pleasure—at least, by the vast majority. Mr. Cole, on the other hand, certainly takes a great joy in strikes. "Let it be understood once for all," he writes, "that the interests of Capital and Labour are diametrically opposed, and that although it may be necessary for Labour sometimes to acquiesce in 'social peace,' such peace is only the lull before the storm" (p. 285). "'Social peace' is a sham and a trick" (p. 286). "Industrial peace . . . must not be permanent" (p. 288). "If, then, strikes do or can succeed" (which he proves), "what we want is more strikes" (p. 402). All this will, of course, be very disquieting to those who believe in industrial peace at any price, but it seems certain that efforts will be made in the future, not necessarily to increase the number of strikes, but to render the strike weapon much more effective.

In the control of industry, Mr. Cole suggests a dual management by the State and the trade unions. The State would own the industries, delegating the power to run them to the trade unions. "Instead of a pure Government department, representing the consumer alone, there must be a joint board, equally representative of both parties. This body must be related to Parliament much as, say, the Development Commission or the Road Board is now related. It must be linked up with Parliament and with a Government department; but it must not be directly under a Government department and a Cabinet Minister.

Normally, the union must be left to administer its own internal affairs, and to execute, by such methods as may seem to it best, the orders it receives from the Joint Board, and ultimately from Parliament. Parliament and the consumer must control ends, while the union looks after means" (pp. 366–7). This gives an enormous importance to trade unionism in the future. It seems highly probable that the worker must sooner or later exert a strong influence over the conditions under which he performs his work, and it may well be that in some industries the State will delegate the conduct of them to the trade unions, just as in some countries State mines are worked by private companies. It does not necessarily follow, however, that this form of industrial organisation is applicable universally. Just as the organisation and lines of development of different trade unions must vary, so the types of organisation under which production is carried on must also vary from industry to industry, and to apply the same kind of management to all is not likely to be successful. It is, however, not necessary either to go the whole way with Mr. Cole, or to reject his proposal altogether; for if there is one thing about which one can be certain it is that the society of the future will not conform purely to any single ideal.

The impression one gathers from the book may be expressed in terms of which Mr. Cole is himself very fond. He is often right in what he affirms and wrong in what he denies. When he deals with trade unionism he has much of value to unfold, with which it is impossible to disagree in the main; when he deals with the State, however, one follows him with hesitation; for example, when he affirms categorically that "the State has no business in industry," there comes the feeling that this has not been thought out, but that it is essentially implied in Mr. Cole's glorification of the trade union. Whilst he asserts that the general will of the State is but the reflection of the will of its members, it is apparent that the general will is to him merely the trade union will. He admits, however, in another place that this is not so, when he says: "Educated in the unions, the workers must learn to conquer the still greater association of which all, men and women alike, are members" (p. 411). This sentence means that a section of the community (for even if all producers were in Trade Unions it would still be a section), representing primarily an economic interest, is to control the whole community with its many interests. The capture of society by a section is merely "swapping horses," and superseding the privileged capitalist by the privileged trade union. The concentration of attention on trade unions leads

Mr. Cole to the opinion that "the Syndicalists are right in thinking that the trade unions are the most powerful instruments for the education of the people," which is surely an exaggeration.

Mr. Cole takes a curious line when discussing economics and politics: "The preoccupation of the State with industrial questions is a mere phase in its development. . . . Could the control of industry be handed over to the producers, and could all profiteering be eliminated, the State would be set free to work for the deepening of national life, for the realisation of a greater joy and a greater individuality" (p. 410). The first sentence creates an entirely erroneous impression as to the extent to which the State busies itself in industrial questions, and it by no means follows that if industry were run by the producers that the State would therefore have no need to interfere in such questions. It is conceivable that the State would be more "preoccupied" than ever. Further, Mr. Cole points out that "the State cannot be more advanced than its citizens"; but handing over the control of industry to the producers and eliminating all profiteering will not in themselves improve the quality and standard of citizenship, which would be necessary if the State were to undertake "the deepening of national life." Mr. Cole also writes of the State "being preoccupied with the sordid task of patching up a false social truce and concealing the bankruptcy of the national life fund" (p. 410); and in illustration he quotes the case of our parsimony in education and the fact that we have no Minister of Health. It is true that much more money could be spent advantageously on both education and public health; the fact that we do not spend money generously on these things is, however, due neither to "preoccupation" with "industrial questions" nor to "preoccupation" with a "false social truce," but rather to a variety of complicated factors, including, of course, the "profiteering" to which Mr. Cole refers, and its consequences. The truth is that Mr. Cole cannot develop his plea for the aggrandisement of the trade unions beyond a certain point without belittling the State. He has overstepped the mark, and by arrogating for the Unions an importance greater than their purely industrial function warrants, he has been compelled to go beyond some of his own brave words regarding the functions of the State.

The book concludes with an excellent bibliography, which, however, would have been more useful to readers if something beyond the author's name and title had been given, *e.g.*, publisher, price, &c.

The World of Labour is a stimulating book; it provokes both

thought and criticism, and whether the constructive suggestions put forward are accepted or not, it must none the less be considered the most important book on trade unionism since the publication of *Industrial Democracy*.

ARTHUR GREENWOOD

The Industrial Unrest and the Living Wage: Lectures given at the Interdenominational Summer School at Swanwick, July, 1913. With an Introduction by the Rev. WM. TEMPLE, M.A. (London: P. S. King & Son. 1913. Pp. 182. Price 2*s*.)

The Social Unrest, its Cause and Solution. By J. RAMSAY MACDONALD, M.P. (London: T. N. Foulis. 1913. Pp. 119. Price 1*s*.)

Industrial Unrest and Trade Union Policy. By the Rt. Hon. CHARLES BOOTH. (London: Macmillan. 1913. Pp. 32. Price 2*d*. and 1*s*.)

IT cannot be said that any of these volumes throw new light on the question of "industrial unrest." Mr. Ramsay Macdonald attempts the impossible task of tracing the history of unrest in twenty pages, and consequently accomplishes nothing. He devotes two chapters to discussing the moral and economic causes of social unrest. Amongst the latter he places the fall in real wages and the increase in the incomes of the well-to-do. The moral cause to which he gives first place is the "idealistic purpose" which found expression in the political labour movement and the growth of Socialistic ideas. Mr. Booth, on the other hand, attributes the prevailing unrest to "disappointed hopes and the failure of high aims, aggravated by the consciousness of strength which cannot make itself felt." Dr. Carlyle, in his paper at the Swanwick Conference, considered that "the immediate cause is to be found, primarily, at any rate, in the low rate of wages still common in a large part of the field of industry." He gets nearer the truth, however, a few sentences later, when he says: "The real wage has fallen. This is without doubt an immediate cause of the industrial unrest. If you examine the history of social upheavals, you will find that these came, not so much because there was great misery, but because progress was arrested and stopped, because men felt themselves thrown back. . . . Men in abject misery and poverty very rarely revolt, but a man who has achieved something and feels himself in danger of losing it—he is the man who rises." The writers do not distinguish clearly between general and particular causes, between the relatively permanent factors and

the special, immediate causes. There are many points of great importance on which no light whatever is thrown. A study of the regularly recurring periods of unrest during the past century, their points of similarity and their differences would certainly be most fruitful. There is also a great need, not only for a detailed historical inquiry, but also for an investigation into the social and psychological aspects of industrial unrest.

The writers of the volumes under review are largely concerned with means of meeting unrest. Leaving aside a few papers on the religious aspect, the Swanwick volume deals mainly with wages. Prof. Urwick discusses the standard of life, and Prof. Hobhouse the right to a living wage. Mr. George Shann describes the effect of the non-living wage upon the individual, the family, and the State. Mr. Wicksteed deals very ably with the distinction between earnings and income, and between a minimum wage and a decent maintenance. Profit sharing and co-partnership in relation to the standard of life is discussed by Prof. Macgregor. Miss Constance Smith gives an interesting account of wage movements in other countries, and Dr. Slater contributes a paper on trade unionism and the living wage. The actual working of the Trade Boards Act is excellently dealt with by Mr. Mallon, whilst Miss Rankin deals critically with the legislative experiments of Australia and New Zealand. On the whole, though many hands necessarily mean unevenness of quality, the volume is both interesting and useful.

Mr. Charles Booth's pamphlet is confined to trade union policy. His view is that in the past it has been too narrow, aiming "too exclusively at amount and method of remuneration." Though this may be admitted, it nevertheless remains true that, under existing conditions, wages should be the main plank in the trade union programme. Mr. Booth suggests that the trade unions should discriminate between employers, who would be classified in "order of acceptability." A certain proportion of the employers—one-third is suggested—would be placed on the accepted list; these should not be interfered with, except that they might subsequently be removed from the list. The trade unions should then concentrate on the remainder of the employers, a plan which, it is urged, would not incur "the danger of serious interference with public requirements." This device, without being adopted as the chief policy of the trade unions, might well be used, with modifications, as a weapon of offence. With the newer temper in the trade union movement, it is doubtful whether any scheme, based on "the need for fuller recognition of the value of that initiative and control

which have to be contributed by employers to industrial success," would be accepted in its entirety. If it were accepted it is hardly likely that it would increase the possibilities of "industrial peace." Indeed, if the idea is utilised by the trade unions, it will probably be as a deliberate method of industrial warfare, capable of increasing the number of strikes, without going to great expense. It has already been used in this way. Strikes in selected shops, whilst rivals are continuing and increasing their business, should appeal to "greater unionism." The policy of discrimination might also conceivably be used by trade unions to introduce dissensions amongst the "accepted" and "unaccepted" members of the better organised employers' federations, which would not be able to act with unanimity. Mr. Booth's method, far from yielding the advantages he anticipates, would, when applied and developed by the trade unions, bring, not peace, but a sword.

Mr. Ramsay Macdonald's point of view, on the other hand, favours increased political action, which will initiate social reforms. There are limits, however, to social reform; and the ultimate alternatives are Protection, which will inevitably increase exploitation, and Socialism, which will bring social peace. Mr. Macdonald seems here to confuse the ever-present under-current of discontent, which is more passive than active, and the periodical unrest which is much more active. Mild measures of social reform may palliate the former to a small extent, but are hardly likely to prevent the latter. To place Protection, which is a fiscal doctrine, with Socialism, which Mr. Macdonald calls a "justifying ethic," as alternatives is illogical, and, in any case, Protection, whatever its merits, cannot be seriously suggested as a method of preventing recurring periods of labour unrest.

ARTHUR GREENWOOD

La Classe Ouvrière et les Niveaux de Vie. Recherches sur la hierarchie des besoins dans les sociétés industrielles contemporaines. By MAURICE HALBWACHS. (Paris: Librairie Félix Alcan. Pp. xvii. + 495. Price fr. 7·50.)

BOTH in subject and method, this important book is a formidable example of modern sociological research. The author first lays a theoretical foundation by outlining his conception of a class and its standard of life. For a group of individuals to constitute a class, it is essential that class consciousness should exist among them. The cause of the development of this consciousness is due neither to men's occupations nor to the size of their incomes, but to the interaction of their activities as consumers and producers.

The position of any class in the social hierarchy is determined by the extent to which its members participate in the activities regarded as most important by society as a whole, and the extent of this participation represents the standard of life of the class. M. Halbwachs then proceeds to examine the composition and unity of the working-class, as affected by the part they play in production and their habits as consumers. He argues that to-day the working class is not split up into separate groups, each with a distinct class consciousness arising from a number of individuals being engaged in the same locality or industry, or in similar work, but is a more or less homogeneous body united by the fact that "the workman, from the nature of his work, is in contact only with matter and not with men, stands isolated face to face with nature, and is in contact with inanimate forces." But though class consciousness has its origin in industrial function, it finds expression not in the factory or workshop, but in the act of consumption. Tastes and habits are developed the gratification of which the conditions of employment prevent, and from this develops a feeling of solidarity and opposition to other social groups. This conclusion as to the dominating importance of consumption in the determination of classes leads up to the most important and elaborate part of the book, a study of the working class as consumers, based upon the two inquiries into German family budgets conducted in 1909 by the Imperial Statistical Bureau and the Union of Metal-workers. Rejecting the intensive method of studying such material made famous by Le Play, M. Halbwachs elaborately analyses and rearranges the results of the inquiries, and concludes that variations in the proportionate and absolute amounts spent on food, clothing, lodging, and miscellaneous objects are little affected by the size of the town in which a family lives, or by differences in occupation, but are mainly due to the size of the family and its total income. In a close analysis of the influence of these two factors, much space is devoted to investigation and criticism of the four laws of Engels, that (1) the higher the income, the smaller the proportion, but the greater the absolute amount spent on food; (2) the proportion spent on clothing is always approximately the same; (3) the proportion spent on lodging, heating, and lighting is approximately the same; and (4) the higher the income, the greater the proportion spent on miscellaneous objects. The first and fourth laws the author holds to be amply verified by his figures; the validity of the other two he denies. But in any case, the amount spent in different ways does not vary smoothly or regularly with changes

in the size or income of the family. On the contrary, there are sudden variations due mainly to the influence of habit and social convention. On the whole, however, the author concludes that the working class does not fall into groups having different standards of life. An interesting result of the investigation is to show the comparatively small amount spent by the German working classes upon lodging. This, M. Halbwachs argues, is characteristic of the working classes, and is due to the taste for family life being little developed among them. It is very doubtful, however, whether English experience would yield a similar result and conclusion. The book concludes with an analysis of the nature of needs, and a discussion of their relative importance. Though figures point to an increase of income leading first to the satisfaction of the need for food, followed by satisfaction of the need for clothing and lodging, the general conclusion is that it is not possible to arrange needs according to their importance and relative intensity.

M. Halbwachs' method of treating his material is statical rather than dynamic; that is, instead of treating production and consumption as phenomena constantly changing, he seeks to reduce the whole system to rest and to study the relations of its constituent parts. Mr. Halbwachs tends, consequently, to treat as exceptional and abnormal influences which from other points of view are of first-rate importance. As he points out himself, a class is a psychological phenomenon—the result of realisation by a number of individuals of some common bond. Thus any method which tends to eliminate the influence of the vagaries and inconsistencies of human nature is very liable to put matters in wrong perspective, and at times the author has not been able to avoid this danger. For example, in considering the productive activities of the working class, he has selected as the basis for the growth of class consciousness one permanent element in their work which distinguishes the working classes from other groups; but in the actual development of class distinctions, the influence of locality, industry, and the possession or lack of technical skill may be of just as great importance. Another consequence of the author's method is to give an air of unreality to his whole treatment of working-class consumption. In this respect, at least, the intensive method of study can claim a distinct advantage. Finally, there is reason to criticise M. Halbwachs' contention that in consumption the separation of classes is made manifest. Does not the act of consumption, on the contrary, frequently tend to eliminate class differences having their origin elsewhere? The

author himself supplies several examples of its influence in this direction in the case of different working-class groups, and it does not seem unreasonable to suppose that in consumption the working-class and the *bourgeoisie* may likewise find a bond of union. But criticism of M. Halbwachs' method and theory do not detract from the value of his most lucid and impartial statistical analysis of budgets, which is more complete than any modern writer has yet attempted. This part of his work alone makes the book an important contribution to modern economics.

W. G. CONSTABLE

Round About a Pound a Week. By MRS. PEMBER REEVES. (London: G. Bell & Sons. 1913. Pp. 231. Price 2*s*. 6*d*.)

THIS attractive little book is based on an investigation carried out by a committee of the Fabian Women's Group. The object was to study the effect on mother and child of sufficient nourishment before and after birth, and to this end a selection of expectant mothers was made from among the out-patients of a lying-in hospital, and visitors were appointed to visit, provide nourishment, and watch the effects from three months before birth until the child was a year old. It can hardly be supposed that there was any doubt in the minds of the Committee that the effects, so far as they went, would be a better-nourished child; but from the elaborateness of the investigation we imagine that the end in view was the much more difficult one of ascertaining how far the children in general of families earning "round about a pound a week" are suffering from under-feeding. Hence we are furnished in this book, not only with a detailed and sympathetic description of the surroundings, living, and daily life of a number of families, but also with a number of "budgets" based upon accounts kept by the mothers of the families. The salient feature in these budgets is the high proportion of the income which is paid in rent—generally as much as one-third, sometimes more. It is interesting to compare on this item the budgets collected by the Economic Club twenty years ago; in the few cases which are comparable the burden of rent seems to have become markedly heavier. As against this it is a slight, but inadequate, set-off that school fees no longer have to be paid.

The heavy rent means less money for food, for there is little room for economising in other directions. A typical budget, omitting food, and consisting of rent, clothing club, boot club, burial insurance, coal, gas, wood, cleaning materials, amounts

to 13*s*. 5*d*. a week, and in none of these items can any saving be effected except the burial insurance; and that is a misdirection of expenditure so general that it seems hopeless to try to remedy it. Thus the amount left for food varies according to the income from 7*s*. to 12*s*. a week, and in case of emergency may fall much lower. It is the only "elastic" item of expenditure—unless, indeed, the rent is allowed to get into arrears—and if the income falls, or any unusual call is made upon it, the family must curtail its consumption of food. The amount is lamentably small for a family with children to maintain; and yet, at the risk of appearing unsympathetic, we must express our surprise that so much variety is obtainable out of it by a good housekeeper who knows the London market. The menus given for the most part show meat or fish for dinner every day, and the monotony of breakfast and tea is probably mainly due to the ease of providing bread-and-butter. The greatest defect from the children's point of view is, of course, the almost total absence of fresh milk, and we are struck by the author's suggestion that it is open to question whether the whole milk-supply of England is sufficient to insure a quart a day to each English child under five years of age. But we must demur to the statement that fruit is an article of diet hardly ever seen by children of the poor. It may not have happened to enter into the official expenditure of the families under review, but it is in the highest degree improbable that from the piled-up costers' barrows which haunt the poorest quarters of London no oranges or bananas, apples or dates found their way to the mouths of the children.

On the question of remedies the author is very definite, both in rejection and suggestion. Postponement of marriage she will not hear of, on the ground that if the man postponed marriage till he was thirty, "it is quite certain he would not marry at all." Considering the large number of men who do marry after the age of thirty, this statement is somewhat rashly dogmatic. But suppose that he were even to wait until he were 25, it would not be difficult for him by that time to have laid by £100; and though that would not add appreciably to his regular income, it would help him through most of the emergencies which arise before the children are of an age to earn. But what is more important is, that both man and woman should wait to assume the burdens of a family until they have some experience by which to guide their lives. The wife especially would gain in health by the postponement of the child-bearing period for a few years, and its consequent curtailment. And, after all, it is considered no

hardship that boy and girl marriages are not encouraged in other classes of society.

The remedy put forward with absolute confidence is, that the State "must endow every child who needs it with a grant sufficient to secure it a minimum of health and comfort." This suggestion, coming from a writer with the facts staring her in the face, and presented as a sure remedy, is enough to make one despair of the philanthropist. For what is the situation described in the book? It is that of a small area of crowded streets, crammed "fuller than they will hold" of relatively unskilled workers tumbling over each other in the search for work. The inevitable result is that rents have gone up abnormally high, for it is exceptional, even in London, that the unskilled labourer should have to pay 8*s*. a week in rent. To shower down money on these people while they remain in their present surroundings will not mend matters; it will only force rents higher still. The one remedy is dispersion, which will ease the congested labour market and lower rents at the same time.

That it is over-concentration of the people, even more than under-feeding of the children, which is the root of the evil is constantly apparent. The very experiment on which the investigation was based proved it. The babies, who were, we may suppose, adequately nourished by the experimenters, did not, "in spite of special efforts made on their behalf fulfil their first promise. At one year of age their environment had put its mark upon them. Though superior to babies of their class who had not had special nourishment and care, they were vastly inferior to children of a better class." Of course they were; the children in these streets are like overcrowded seedlings, no amount of feeding will make them healthy, unless they are planted out with proper space to grow in. The author is quite awake to this aspect of the question. "The London poor are driven to pay one-third of their income for dark, damp rooms which are too small and too few in houses which are ill-built and overcrowded. And above the overcrowding of the house and of the room comes the overcrowding of the bed—equally the result of poverty, and equally dangerous to health."

The chief difficulty lies in the lack of mobility in this class of the London poor. They have lost the courage to move even so far as across London, to say nothing of migration or emigration. The author tells of a man who, having lost a job in Lambeth, found another at Finsbury Park, and instead of moving walked daily there and back for some time, and then gave up to

take another job at a lower wage in Westminster. He had not the self-confidence to make a fresh start in another place, where rents would probably be much lower. Such lack of enterprise would lead to congestion and unemployment in any rank of workers. To intervene by endowing each child will do nothing to remedy it; it will only intensify the disinclination to move, without doing anything to increase the demand for labour or the quantity of house room available. The grant to parents who pay an excessive rent would not only remove the last possibility of their being induced to move; it would inevitably attract other parents into the congested districts, to the intensification of the present difficulty. Nor can the evil be remedied by multiplying the agencies for feeding. Already 40,000 children are fed weekly at the schools, without appreciably improving the situation; and it is surely time to turn from the symptoms to the causes of the disease. To the school of thought which regards want of money as the root of all evil, and grants of money as a panacea for all ills, we fear that this is an impossible evolution.

HELEN BOSANQUET

The Story of the C.W.S.: The Jubilee History of the Co-operative Wholesale Society, Limited, 1863–1913. By PERCY REDFERN. (The Co-operative Wholesale Society, Limited.)

THIS is a book of considerable and varied interest. It tells the story, more fully than it has ever been told before, of the great business federation of English co-operative societies. Mr. Redfern, who has accomplished his task with signal success, has very distinctly brought out in the telling what those who are not co-operators are apt to overlook in the Co-operative Movement—the romantic interest. I put this interest first because no one can hope to understand either the Co-operative Movement or its social and economic power who does not realise that behind a certain drab and uninteresting exterior it has always possessed a curious romance for many co-operators. The doctrines of Robert Owen have, contrary to many people's opinion, very little space in co-operation as it has worked itself out to-day, but something of his spirit—the spirit that makes a man "one of those bores who are the salt of the earth"—has always animated a small band of co-operators who, in each succeeding generation, will be found to be responsible for the real progress of co-operation. Co-operation is for them at once Religion and Romance, and a photograph of a squalid cottage in which some Northern society was born forty or fifty years ago is as inspiring to them as would

be a photograph of Shakespeare's house at Stratford or of the Mount of Olives to many middle-class persons of cultured or religious temperament.

It is easy to miss the true significance of the history of the Co-operative Wholesale Society. Co-operators themselves, and authors of serious works on co-operation, are accustomed to insist on the fact that a democracy of between two and three million working-class consumers have built up in fifty years a business which has no parallel in this or any other country. They point out that this work is not the work of one or two or three commanding geniuses, but of democracy, that the capital has risen from £2,455 to £8,055,473, sales from £51,857 to £29,732,154, and net profit from £267 to £613,007, that the co-operator now produces for his own use almost every article of food and clothing, domestic utensils and furniture. All this is, of course, substantially true, but no one who has any experience of the practical working of a society or of the Wholesale Society will doubt that it is only a small part of the truth. A great majority of the co-operative democracy would, if it were left to itself, he held together by no other bond than the payment of the quarterly dividend. It is no slur to say this of hard-working wage-earners, to whom the economical spending of every shilling, or even penny, is of serious importance. But if the movement had depended upon that bond alone, the amazing progress made by it would have been impossible. Anyone who reads with his eyes and his mind open will see in Mr. Redfern's pages how from generation to generation to a small band of enthusiasts, idealists, "romanticists" has always been due the real progress in welding this federation together and the conquest of those tremendous difficulties which before 1863 had wrecked at least three Wholesale Societies or Depôts and on occasions have been nearer to wrecking the present C.W.S. than many persons imagine.

Mr. Redfern's book shows very clearly on which sides of its development co-operation of consumers may look to find the dangerous rocks and reefs. So long as it is content to plod along within narrow lines, it is safe; and for its Wholesale the safe and narrow lines are confined to buying wholesale and selling retail. But the interesting and really important side of the English Co-operative Movement is that, always pushed on by the small band of "romanticists," it has aimed at what used to be called the Co-operative Commonwealth. Out of this conception have grown the banking and "productive" departments of the C.W.S., and it is in these departments that all the real difficulties

of its history have centred. There are no more interesting chapters in the book than those which deal with the banking adventures of the Wholesale. Nothing brought the Society nearer to ruin—which would probably have involved a large number of retail societies—than the financial experiments of working-class amateurs during the years 1872–1880. Mr. Redfern makes rather light of the actual losses, but it is easy to see that it was only the rapidity with which disaster overtook the very earliest experiments that taught the experimenters a lesson. It is to be hoped that that lesson will never be forgotten by co-operators, because, however "sound" may be the finances of a democracy of consumers, that soundness is always liable to special dangers arising from democratic control. The working classes were in the early 'seventies badly bitten with the craze for workers' co-operative societies and companies. All through this movement ran the undiluted hope of profit-making. Like nearly all working-class ventures, the companies suffered from the fatal disease, want of capital, and the promoters turned with hungry eyes to the already substantial capital of the C.W.S. and its "Deposit and Loan Department." Many of the promoters were men of influence in the co-operative movement, if not members of the C.W.S. committee. No words could more effectually damn the way in which the finances of the democracy were handled than those in which Mr. Redfern attempts mildly to make excuses for what happened. "The C.W.S. were members of a democracy. They could not harden their hearts like commercial bankers; they were bound to consider the opinions and the sympathies of many." The result was that money was advanced to a number of unsound ventures, and subsequently overdrafts allowed in cases in which elementary prudence would have shown that cheques should have been immediately dishonoured. The promptness with which the crash came was wonderfully beneficial. From 1875 to 1880 company after company went into liquidation; in three companies alone for which Mr. Redfern gives figures the C.W.S. lost £39,000. That the Wholesale was hard hit is clearly proved by the admission of the chairman in 1881 that "the Wholesale Society, at one period of its history not very long ago, was in very great straits" and by the fact that the famous Rochdale Society, on "urgent personal application," came to its assistance with £10,000 "needed to pay accounts."

Not much is heard now within the movement of the present Banking Department, with its turnover of £150,000,000; attention and interest have during the last twenty years been centred

in the "productive" departments. The influence of this development on the course of the movement as a whole cannot be overestimated. It has led to the formulation of a definite policy that "co-operators should obtain control of the means of production." It has brought the association of working-class consumers face to face with and often "up against" the association of working-class producers in trade unions. The pages of the *Co-operative News* week by week bear witness to the fact that most of the problems and difficulties of co-operation are concerned with production and the relations between themselves and the employees in their factories. But few people realise the extent of this development within the C.W.S. itself. From 1895 to 1912 the net sales rose from £10,141,917 to £29,732,154, an increase of 193 per cent., but during the same period the value of goods produced in the C.W.S. factories rose from £914,048 to £7,556,822, an increase of 726 per cent. Outside the United Kingdom there is no sort of parallel to this productive development of co-operation. The enormous advance of German industrial co-operation is often overlooked. For example, if sales be taken as an index, the rate of growth of the German Wholesale (Grosseinkaufsgesellschaft deutscher Konsumvereine) is considerably greater than that of the C.W.S. has ever been, for the increase in the sales of the German Wholesale during the last five years of its existence is 84 per cent. greater than the increase in the sales of the English C.W.S. during the corresponding period of its development. But whereas the sales of the C.W.S. in 1912 were only a little over four times greater than the German sales, the value of the productions of the English factories was twenty-one times greater than those of the German. A most interesting question—and one of obvious importance to the future of the Co-operative Movement—is what economic effect this extension of manufacturing enterprise has had upon the position of the C.W.S.? Unfortunately, co-operative statistics are presented in such a form that it is impossible to give any reliable answer to the question. Mr. Redfern, in many places and on many subjects, shows that he is voicing the opinions, not only of himself, but of the present executive: it is a pity that he has not given us the official view on this subject, together with some of the data on which it is based.

L. S. Woolf

Das österreichische Staatschuldenwesen von seinen Anfängen bis zur Jetztzeit. By Dr. MAX REINITZ. (Munich: Duncker and Humblot. 1913. Pp. ix.+182.)

ON January 1st, 1913, the special debt of Austria was 5,158,396,373 kronen (£214,933,182). In the book before us Dr. Reinitz sketches its growth and development from the era of Leopold I., say 1700, to the present time. Though not extensive, his treatise will hardly be surpassed for its clearness of statement and interest of narrative. But then the early history of the Austrian Debt has an element of romance about it. That Austria fell into debt at all was chiefly the fault of its officials, and the burden of a corrupt bureaucracy still weighs heavily on the Austria of to-day. The evil commenced by extracting forced loans from officials in the shape of caution money, and eventually this led to offers of loans being made to the State by would-be candidates for administrative posts. In 1701, for instance, no less a sum than 250,000 gulden was bid for a position in the central financial office of the State. But worse was to follow. So great were the needs of the Government and so limited the sources of revenue that titles and honours were sold at fixed prices. Graf Sigismund Friedrich Khevenhüller, who was not unknown in the diplomatic history of the period, paid 1,000 gulden for being made a privy councillor, and a further sum of 400 gulden for the confirmation of the same when a new sovereign, Joseph I., came to the throne. Quite generally the title of Prince might be purchased for 12,000 gulden, that of Graf (Lord) for 4,500, and even the designation "Wohlgeboren" (equivalent to esquire) cost 200 gulden.

A State in straitened circumstances such as these had to have recourse to money-lenders. Not only was it indebted to famous Jewish financiers, like Samuel Oppenheimer and Wertheimer, whom, by the way, it treated with shockingly bad faith, but also to the international "bankers" of the time--Brentano, Cimaroli, Durazzo, Schreyvogel, and the rest.

The methods resorted to by Austria for obtaining cash throw a lurid light on the general economic situation. Nevertheless, as Dr. Reinitz points out, despite the almost public bankruptcy, private extravagance proceeded apace. The nobility and gentry spent their money on music and pictures, on the theatre and balls, rather than lend to an insolvent State. Nor was the sovereign himself any less lavish. The court of Leopold I. was a worthy forerunner of that of Versailles. The wonder only is

that something akin to the Revolution in France did not overtake Austria.

Actual bankruptcy, however, did; its declaration was made public on March 15th, 1811. The story is well told in these pages. So is that of the foundation of the National Bank in 1816. A healthier economic development set in after the first quarter of the nineteenth century, and despite critical years (*e.g.*, 1873), despite also the heavy mortgages on its soil, Austria is gradually recovering. (The question of mortgages on land deserves full treatment; Dr. Reinitz certainly makes the problem perfectly clear.) But though the national debt is still a fairly heavy one, national wealth is increasing. On the other hand, though national wealth has grown, it is still impossible to float a debt in Austria itself; the major part of subscriptions come from abroad. The political consequences of such a condition of affairs are obvious enough. Dr. Reinitz, here as throughout his book, has handled the theme with conspicuous ability. We have only one suggestion to make. It would prove helpful to his reader if, in a subsequent edition, he added a note giving the approximate value of the gulden in terms of the krone. Students of economic history often find it difficult to compare values, and specialists ought to come to their assistance.

M. Epstein

Die Bodenreform im Lichte des Humanistischen Sozialismus. By Dr. Heinrich Wehberg. (Munich: Duncker & Humblot. 1913. Pp. xiii.+170.)

Bauernfrage und Agrarreform in Russland. By Dr. K. A. Wieth-Knudsen. (Munich: Duncker & Humblot. 1913. Pp. vi +260.)

These books are each in their turn very special studies on aspects of the land question. The first is largely theoretic; the second is descriptive of actual conditions. The first is more general; the second is more exact. Both may be of interest to students of agricultural problems on their economic side.

Dr. Wehberg's book is merely a reprint of four papers published in 1891, 1892, and 1895, and is intended as a monument to celebrate the twenty-fifth anniversary of the foundation of the German Land Reform League (1888), of which Wehberg was the first President. The programme of the League is set forth in the first of the papers, and may be summarised as a demand for the abolition of rent, interest, and profit, and for the

nationalisation of land. Humanitarian Socialism the author calls this, and he mentions ten consequences which would result by its adoption. Here are a few : (1) National wealth would increase ; (2) capital would not accumulate in private hands ; (3) the produce of the soil would tend to be more fruitful ; (4) trusts, syndicates, and kindred growths would disappear. There is nothing new in all this, as students of Socialism will see. But it is presented in a readable form, and the remaining essays in the book (Land Reform in the light of Free Trade, the Nationalisation of Mines, and the Housing Question) merely treat of single aspects of the whole.

Somewhat more useful, certainly more modern, is Dr. Wieth-Knudsen's book, but that, too, will appeal to a limited class. Nevertheless, those who do refer to it will find an account of the Russian system of land tenure to-day which is reliable and scientific. That was only to be expected from the work of a high official of the International Agricultural Institute in Rome. Statisticians, moreover, will welcome the great mass of useful matter in the numerous tables with which the book abounds. Dr. Wieth-Knudsen starts out in his introductory chapter with the land and the people, proceeding then to the year 1861, when the Russian peasants ceased to be serfs. But the system of land-holding continued pretty much as before. Farmers had strips assigned them in different fields, and the village community was paramount as to methods of cultivation and crops. All this was changed by the Agricultural Commission appointed in November, 1906. Its work resulted in the concentration of land in one man's hand, according to the prevailing fashion of Western Europe. The change is clearly indicated in two sketch maps of the same village. In the first you may still see the scattered strips ; in the second you already find, not strips, but fields belonging to their several owners. The volume contains besides an excellent map of Russia in illustration of the text, and the copious bibliography is worthy of all praise.

M. EPSTEIN

Die Reichsarbeitslosenversicherung: Zugleich ein Beitrag zur Arbeitslosenfrage überhaupt. By Dr. KARL KUMPMANN. (Pp. 150. Price 3 marks.)

THE first part of the book is a rapid and somewhat cursory survey of unemployment—the nature and amount of unemployment ; the problem of the work-shy, of the defective in ability, and the genuinely unemployed ; labour exchanges ; relief work,

etc. The author is well acquainted with some of the English sources of information. Some of the German figures of unemployment are analysed. The average unemployment is estimated at from 2 per cent. to 3 per cent. of the total number of workpeople. Mention is made of the change in the attitude of the trade unions to labour exchanges. At first the unions claimed to have their own exchanges; now they would be content with exchanges managed by employers and employees in common. The change is due to the advance made by employers in securing their own exchanges. As in this country, relief work is very much more costly than work done under commercial conditions. With regard to labour colonies, it is stated that there were in Prussia twenty-three colonies, with accommodation for 3,700 persons, at the end of 1911, and that over 12,000 persons were received into such colonies in Germany during the year.

The second part of the book is a more detailed examination of unemployment insurance, especially of the schemes in force or suggested in Germany. The author considers that an imperial scheme of compulsory insurance must finally be undertaken, but that the time is not yet ripe for its establishment; more adequate information as to the incidence of unemployment must be obtained and a more extended and developed system of labour exchanges must be secured. He suggests that in the meantime provision for unemployment should be encouraged (1) by the payment, subject to certain conditions, of public subsidies on insurance effected through trade unions, (2) by a compulsory scheme of savings for unemployment, with contributions from the employer as well as the employee, and public subsidy. The second suggestion may seem a little fantastic to English readers, but such a project has been discussed in Germany from time to time. I should not think, however, that there is much likelihood that a scheme of this kind will be adopted by the Imperial Government.

I. G. GIBBON

La Navigazione dal punto di vista economico. By CAMILLO SUPINO. Third edition. (Milan: Ulrico Hoepli. 1913. Pp. xi. + 450.)

THIS treatise is based on Professor Supino's researches in the publications of four languages, together with his own experience as a member of the *Consiglio superiore della Marina Mercantile*. As an economic study the book is interesting not only to the specialist in questions of navigation. The shipping trade of the world is one of the few spheres in which can still be seen the

working of free competition in its most complete form, with its effects on the costs and profits and organisation of the industry. Freight charges by sea, unlike other payments for transport, fluctuate constantly, in response to the continuous variations in the supply of goods and demand for shipping. Signor Supino gives some striking illustrations of this interplay of supply and demand. Thus in 1896 an abnormal harvest tripled the cost of carriage of corn from Odessa to the North Sea ports; the crisis of 1907 drove down freights for Argentine corn to Europe from 30*s.* to 7*s.* 6*d.*; and after the South African war corn freights between San Francisco and Europe fell abruptly from 45*s.* to 10*s.* The modern economist in search of illustrations of price fluctuations under unlimited competition in varying markets and periods can readily find them at sea. And he is likely to continue to do so, according to Signor Supino. For despite shipping trusts and rings, the mere fact that ocean carriage is international in character seems to forbid any complete organisation of the industry. "Tramps" and independent ships have this advantage over liners. They can wait foi short periods till demand is ripe for their services, while the liner bound to fixed dates may have to start with only half a cargo. This advantage of the unorganised trader and the impossibility of perpetuating a monopoly on a large scale in waters open to the competition of shipowners of every nation, may save the consumer from fears about the dominance of shipping trusts. Until the recent trade boom, freights as a whole had steadily fallen, and with the expansion of shipbuilding they are likely soon to do so again.

Signor Supino records the process of the supersession of sailing-ships by steamers, with explanations of the survival of the former, and of the partial competition between the two types of transport; he describes the influence on shipping of good harbours and of inland waterways. After his discussion of competition and combination among shipowners and their effect on freights, his most interesting chapters deal with bounties and their results. As an economist and a citizen of a country directly interested in shipping subsidies, he draws the conclusion of the orthodox free trader that such intervention by the State is bad. Shipbuilding in France, Italy, and Austria, he says, has either not been stimulated or has been over-stimulated by bounties, which, in defiance of first principles, have steadily increased. Where subsidies to shipowners are granted according to distance covered and freights carried, it is hardly possible to avoid fraud or the encouragement of the less progressive forms of shipping. Let

the State, he concludes, foster shipping, not by granting bounties, but by such means as remitting harbour dues. This question, and all other problems of the shipping industry, intimately concern Italy, with her growing trade and her streams of emigrants. She must wake up to feel that her future is on the sea.

The author writes of crews chiefly as an item in the cost of freights. It would make his comprehensive treatise more complete if he could give more space to the *personnel* of the ships which he describes at such length, with some statement as to methods of recruiting for the merchant service, and, *e.g.*, the comparative value of white and coloured labour at sea.

On page 129 we are told that nine-tenths of British exports consist of coal. By referring to page 260 we discover that the author is writing of the weight, not the value, of our exports. But the phrase, as it stands, is misleading.

C. V. BUTLER

Outlines of Railway Economics. By DOUGLAS KNOOP, M.A. (London: Macmillan. 1913. Pp. 274.)

THIS book represents a new departure. It is primarily an elementary text-book of economics, in which the illustrations have been drawn from railways, instead of agriculture or some other branch of industry and commerce. It is to be hoped that this will attract many students of railway questions to acquire some knowledge of the principles and terms used by scientific economists.

The book is throughout lucid and clear, and when Mr. Knoop is dealing with general economics he is treading on ground he knows well. With railway matters Mr. Knoop seems less conversant. He is not always accurate, and frequently his statements are inadequate.

On p. 73 he writes: "Government duty does not vary directly as the traffic." The actual position is that Government duty varies directly with the receipts from those classes of passenger fares where the corresponding ordinary single fare is more than 1*d.* per mile. It is incorrect then to conclude that the burden per unit of traffic should diminish as the traffic increases. Then on p. 207 Mr. Knoop says: "The cost of performing the service appears to be the chief consideration influencing station terminals." The truth is that station terminals are mainly a rent for the use of the station. It is arguable that they cover such services as placing wagons in position for unloading, invoicing, &c., but these are minor and not chief considerations.

On p. 196 Mr. Knoop makes what seems a wholly undeserved reflection on the work of Parliament. "The statutory classification," he writes, "is far from being complete." At the time it was drawn up it was as complete as the combined efforts of Board of Trade and railway officials, assisted by representatives of commerce and industry, could make it. Provision was even made for any article not enumerated. The statutory classification cannot fairly be described as incomplete because it failed to enumerate such modern inventions as typewriters and piano-players.

On p. 109 the following remarkable statement occurs:—"It is an accepted principle of railway working that where traffic is 'local' to one company, no other company shall carry the traffic part of its way at the local rates." This is a wholly misleading statement of the understanding which exists between the leading railway companies in regard to unconsigned traffic and through booking arrangements. The understanding that exists rests on no legal foundation, and is merely a convenient arrangement to avoid a particular kind of competition.

Again, a claim is made that the steadiness of railway charges makes the problem of prices, so far as railways are concerned, simpler than it is in many other industries. As a practical railway man, the writer of this review has always considered that the difficulty of adjusting railway prices added enormously to the complexity of the problem. The ability to adjust an error quickly surely cannot make the price problem more difficult for other industries.

In dealing with rates and charges, there is a distinct tendency on Mr. Knoop's part to confuse the rates actually charged and the statutory maxima. Altogether, one is left with the impression that Mr. Knoop has been rather venturesome in publishing his book before he had obtained a more thorough knowledge of railway problems.

W. TETLEY STEPHENSON

The Evolution of German Banking. By LEOPOLD JOSEPH. (London: C. & E. Layton. 1913. Pp. 124. Price 3*s.* 6*d.* net.)

THIS small book is the outcome of a series of lectures delivered by the author at the London School of Economics, and, although well-written, a perusal of it at once reveals the fact that the work has suffered by over-condensation.

The first part of the book deals more with the economic development of Germany than with actual banking, and the reader is given no more than a hazy glimpse of the position of German industry and finance. Special emphasis is laid on the fact that German bank shares are issued in the form of bearer certificates: there is no uncalled liability, and the shares are in consequence more popular with the general public, since, in Mr. Joseph's opinion, the capital thus supplied is of an impersonal character, and the limited liability has for effect the "democratising and stabilising of capitalisation."

Chapter 2 is little more than a summary concerning German land banks, mortgage banks, co-operative societies, and savings banks, and, although the subject-matter is interesting enough as far as it goes, the examination of the methods is too superficial to be of any real value to the student of the important question of credit facilities for the masses.

In describing the constitution and operations of the Reichsbank and the Seehandlung, the author appears to be more in his natural sphere, and has managed to give in a very few pages a good deal of useful information on the Banks' connection with the money market.

In Germany, as in England, there is a general complaint that the sole gold reserve of the country is kept by the Central Bank. The Reichbank's gold, to all intents and purposes, serves, not only as a cover for its own note-issue and deposits, but also for the deposits of all the other banks, and various proposals are constantly under discussion to remedy this state of affairs.

As is well-known to economists, the Reichsbank is permitted to issue notes to an unlimited extent, and as cover for the notes in circulation, the Bank is compelled to hold at least one-third in German gold coins, notes issued by the Government, bar gold or foreign gold coins, and the remaining two-thirds in discounted bills or cheques of a specific description. As a precautionary measure, however, to check the circulation in excess of the amount covered by gold and cash, an interest tax of 5 per cent. per annum, chargeable for at least one week, is imposed on the amount of notes exceeding an authorized issue of 27½ millions sterling, and this, it is said, acts as a safeguard. But from an economic point of view, this duty imposed by the Government is a clumsy device: it is obviously always open to the Reichsbank to pay the tax, increase the circulation, and then recoup the cost from its discounting clients. In these circumstances the imposition of the 5 per cent. is no deterrent to an excess note-issue.

It is interesting to note that one method by which the Reichsbank protects its gold reserve is by the sale of its holdings of foreign bills. Unlike the Bank of England, which does not include foreign bills in its portfolio, the Reichsbank, for practical reasons, makes a point of investing in such paper, and in December, 1912, she held over £2,000,000 in foreign bills on England, America, Belgium, France, and other countries.

The concluding chapter on *Grossbanken* is instructive, as showing that the industrial development of Germany is due as much to the banking influence as to the efforts of the leaders of industry, and the author is plainly of opinion that the presence of commercial men on the directorates of the banks, while exercising a beneficial effect on the commerce and industry of the country, is at the same time profitable from the banker's point of view. But I believe it is a question whether Germany, in permitting her banks to engage with extraordinary activity in various industrial enterprises, is not creating a dangerous situation from which she will one day suffer.

WILLIAM F. SPALDING

Business Organisation and Combination. By LEWIS H. HANEY, Ph.D. (New York: The Macmillan Co. 1913. Pp. xiv. + 483. 8*s*. 6*d*. net.)

DR. HANEY has written a book that is intended primarily for use in American colleges and universities, though he has kept in mind also the interests of the business man and of the general reader. After considering the various forms under which business may be organised and the different ways in which firms can combine, the author discusses the causes of the "trust problem." He shows that the various abuses connected with combinations fall into two classes, those associated with the formation and management of "corporations" (or companies as we should say) as such, and those associated with the monopolistic powers wielded by many large concerns. The former abuses are fostered by the very lax "corporation" laws, the latter by tariffs, patent laws, and laws on the restraint of trade. The primary cause of all abuses, however, is said to be the low moral tone of American business men. At the end of the book various remedies are suggested for dealing with the existing abuses.

When an English reader picks up an American book dealing with combinations and trusts, he cannot refrain from asking himself why is there a "trust problem" in the United States,

whereas at home there is no similar problem? Dr. Haney's book does not provide the answer to the question, largely because there is little or no comparative treatment of the subject. There is only an occasional reference to English and German conditions, and one, at least, of these does not seem accurate, viz., the statement (p. 73) that unincorporated joint stock companies are common in England. No special attention is devoted to the question whether there are conditions existing in the United States, but unknown in Europe, which either cause, or in any case aggravate, the trust problem. How far, for example, is the American Constitution, which permits of great multiplicity of State and Federal legislation dealing with corporations, responsible for the existing state of affairs?

Arising out of the emphasis laid by the author on the standard of business morality, it would be interesting to learn why this is so low in America, and how it compares with that in European countries.

DOUGLAS KNOOP

The Franco-German War Indemnity and its Economic Results. By HORACE HANDLEY O'FARRELL, with an Introduction by Viscount Esher, G.C.B., G.C.V.O. (London: Harrison and Sons. 1913. Pp. x. + 80.)

IN the world of movements, professions of a readiness to hear the other side of the case are more often made than justified. But the Garton Foundation, the body whose purpose it is to bring Mr. Norman Angell's views before the public mind, has fairly made good its claim to be concerned primarily with a disinterested search for truth. Its publication of Mr. O'Farrell's essay on the Franco-German War Indemnity is the latest evidence of the genuineness of its attitude. Mr. Norman Angell, as is well known, has sought to prove that Germany derived no real advantage from the huge indemnity which she exacted forty years ago from France. This argument Mr. O'Farrell subjects to a critical examination, and, as Viscount Esher observes in the most definite sentence of a discreet introduction, "his conclusions on the specific point are not in agreement with those of Norman Angell." Mr. O'Farrell, in fact, finds Mr. Angell's argument to be an instance of the "post hoc, ergo propter hoc" fallacy. It is based on the statement that "the decade from 1870–1880 was in France a great recuperative period, and for Germany, after a boom in 1872, one of great depression." This depression Mr. Angell attributes to the embarrassing results of the receipt of the indemnity. Mr.

O'Farrell, after demurring to the justice of the antithesis, shows that the depression was not confined to Germany, but "was world-wide in its sweep"; that it had its cause in a preceding period of over-production and consequent speculation; that it had its origin in events in no way connected with the Franco-German War, viz., the failure of the Bank of Vienna in June, 1873, and the crash in the United States later in the same year; and that there were reasons (the large quantity of German investments in the United States, while French capital was invested almost entirely in domestic industry) why such a crisis should have affected Germany more seriously than France. "It seems, therefore, plainly incorrect to regard the disasters in Germany as entirely, or even mainly, due to the receipt of the French indemnity."

So much for the alleged disadvantages of the indemnity. On the question of its positive advantage, Mr. O'Farrell takes a moderate view. He considers it a mistake—another careless historical deduction—to attribute to the indemnity the great development of German industry since 1879; though he appears to think that that development has been much assisted by certain other results of the Franco-German War—by the security and confidence which it has given to the German people. But the indemnity itself was none the less "a considerable benefit," because, in the words which the author quotes with approval from Serrigay, it "permitted Germany to effect a greatly needed monetary reform, and to increase during a long period its military power, without putting any serious strain on the masses of its population." It is perhaps something of an anti-climax when Mr. O'Farrell concludes, like Lord Esher, with a cautious double-negative, that it is "not impossible" "in certain circumstances" for a nation to make a profit by the exaction of an indemnity from a defeated foe.

But at this point Mr. O'Farrell turns round, and emphatically declares that these circumstances "must always be very exceptional." Three conditions are necessary. The defeated nation must be very rich. Its defeat must have been crushing and complete. And the war must have been of short duration. These conditions were all fulfilled in the case of the Franco-German War; they are unlikely all to be fulfilled again. An indemnity is not, as Mr. Angell's critics would have it, just the same as an ordinary loan, only without interest and without need of repayment. The productive resources of the defeated country have been injured, and this causes "a reverberatory shock" from which

the victorious country suffers. For an indemnity to be "remunerative in the case of a struggle of even moderate duration between modern communities tolerably equally matched in point of military strength, the ransom would have ultimately to be fixed so high that it would trench upon the capital of the conquered nation, and the difficulties of compelling payments, as well as the shock to international credit, would be enormously increased." Whether or not these considerations possess the importance which Mr. O'Farrell attaches to them, few people will care to dispute his final conclusion that "when other motives have ceased to impel the nations to war, the desire for loot and ransom will have long been inoperative as a stimulant to military enterprises."

Mr. O'Farrell's work is excellently done. In somewhat difficult circumstances he succeeds in preserving an eminently judicial tone. He has spared no pains in the collection of material, which he handles with judgment as well as impartiality. His statistical analyses will form, as he himself ventures to hope, a valuable contribution to knowledge "apart from all matters of controversy."

H. D. HENDERSON

The Origin of Property and the Formation of the Village Community. By JAN ST. LEWINSKI. (London: Constable, 1913. Pp. xi. + 71. 3*s*. 6*d*. net.)

IN this little book, Mr. Lewinski aims at investigating the large and complex question of the origin of property and the formation of the village community. In doing so, he accepts as his chief basis the latest Russian researches dealing with primitive forms of property. A very keen interest has lately been felt in Russia in the study of the evolution of communities, and a whole series of learned works on the subject have been published—works founded on hitherto unknown material. This fresh material, consisting chiefly of observations of ethnographers and officials working at statistics, as well as the results of investigations made and published by the Government, supply information as to the "living history" of communities in so far as they still exist in remote Russian districts, more especially in Siberia. This material enables us to observe the different stages through which nomads had to pass before they settled down as agriculturists and all the corresponding changes in the conditions connected with rural economy. It goes without saying that this new material, besides throwing new light on the origin of communities in Russia, is also interesting from a sociological point of view. The investigation of this material has been recently

gone into by the Russian economists—Kaufman, Kachorowski, etc.—as well as by the historian, Pavlov-Silvanski.

In presenting these results to the English public, Mr. Lewinski largely avails himself of the publications of these writers, and this certainly deserves commendation. But we cannot help pointing out that it was a mistake to study only the recent Russian publications on the subject without considering the previous literature. The researches of Russian scholars in the course of the last fifty years contain abundant historical, juridical, and ethnographical materials. For the elucidation of the problem Mr. Lewinski only cursorily mentions Chicherin and Beliaeff, wrongly connecting the two (p. 69), and does not evince any knowledge of the publications of Sergeyevitch, Efimenko, Bogoslowski, Sokolowski, Vladimirski-Budanoff, Tranoff, and others. The author has seemingly been much influenced by the economist Kaufman, who, in working on "live" material, treats historical evidence with great scepticism and even confesses to a kind of historical agnosticism. But Mr. Lewinski, who occasionally refers in his little book to Germanic and Old English antiquities, should not have let the evidence of ancient Russia escape his notice. After all, the application of the comparative method is commendable only when historical perspective is being observed. As a votary of the individualistic conception of primittive property, the author attaches an exceptional importance to the right of free occupation. Apart from the fact that limitations to such free occupation have necessarily to be imposed, it is scarcely possible to deduce from it the right of private property. In that respect the well-known investigator of Russian feudalism, Pavlov-Silvanski, represents a rather extreme view. If the author of the book we are now considering had been familiar with the publications of other Russian historians, he would have had to reckon with serious arguments in the opposite directions. Mr. Lewinski, who likes to refer to the literature of Western Europe (though those references are not infrequently of a casual kind), should bear in mind the opinion of Professor Vinogradoff on the subject:—"The communalistic origin of property in land has been lately much contested. But in so far as agriculture is historically developed out of pastoral husbandry, there seems to be hardly anything more certain in the domain of archaic law than the theory that the soil was originally owned by groups and not by individuals, and that its individual appropriation is the result of a slow process of development" (*The Growth of the Manor*, p. 18).

The weakest part of Mr. Lewinski's work lies in his general conclusions concerning the process of the formation of property, which he deduces from the following four elements:—(1) The economic principle; (2) The principle of numerical strength; (3) The growth of population; (4) The relation of nature to human wants. Both the scheme and the arguments in favour of it are far from convincing. The author's reasoning, though pretentious, is not infrequently naïve, nor does he succeed in squeezing the evidence into the frame of his artificial scheme. The little book has, however, the merit of bringing to the notice of English readers some interesting facts of Russian agrarian development.

E. Borozdin

NOTES AND MEMORANDA

The New Banking Measure in the United States.

The Federal Reserve Act, approved by President Wilson on December 23rd, 1913, is the outcome of a campaign for banking reform waged vigorously since 1907, and intermittently for a much longer time.

The crying scandal of American banking has been its inability to meet successfully the stress of business crises. In 1873, in 1893, and again in 1907, the banks refused loans to solvent business men on any terms, and limited or even suspended cash payments to depositors and correspondents. As a result, these crises degenerated into destructive panics. The painful contrast between the weakness of the American banking system on such occasions, and the strength shown by the English, German, French, and Canadian systems, suggested that the proper remedy was to reorganise the American system on foreign lines. But serious difficulties stood in the way of such proposals. The plan of establishing a great central bank aroused popular fear of a "money trust" controlled by "Wall Street." No method of ownership or control, and no limitation of powers or profits that was devised, could allay this distrust. Similarly, the idea of branch banking on the Canadian model was a bogey to the public in general, and to the country bankers in particular. The latter were most unwilling to be exposed to the danger of being swallowed up, as the local English bankers have been by a few metropolitan institutions.

In a measure, expert opinion sustained the objection to both of these remedies. It was gravely doubted whether a central institution like the Reichsbank could control credit inflation during periods of prosperity, or could judge expertly of commercial paper coming from all parts of so large a country. Certainly its efforts would be gravely hampered unless branch banking came in with the central bank. But the American system of thousands of small independent banks has merits which no impartial judge would willingly sacrifice. For this system permits a close adaptation of banking to the needs of every community and of every type of business. In the large cities national banks, trust companies, state banks, private banks, and

savings banks exist side by side, each kind of bank specialising in certain fields, and each kind competing with other kinds for overlapping types of business. In the small towns and country districts, where there is not enough banking business to permit of specialisation, that kind of bank is set up which best meets with the local needs. Moreover, it is a great advantage that most of the banks are owned and managed by local men. While some of the States permit branch banking, and while there are some "chain banks," still the vast majority of the 26,000 banking institutions are independent business enterprises.[1] The carefully trained man sent out from a central office in London or Montreal to manage a distant branch has more technical skill than the average country banker in the United States; but the American is in closer touch with his customers. Many people in the community have a business or personal interest in the bank, and these ties are advantageous both to the community and to the bank.

Now the Federal Reserve Act seeks to retain these great, though unobtrusive, advantages of flexibility and local interest while securing the advantages of combined action in meeting strains. It centralises reserves, it makes the currency elastic, and it provides for rediscounting of commercial paper; but it does not set up a central bank or remove the present restrictions upon branch banking. Accordingly, as reorganised under the new Act, the American banking system will still differ from all the great foreign systems.

Of the machinery erected by the Federal Reserve Act, the essential feature is the Federal Reserve Banks. An organisation committee, composed of the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency, is to divide the country into not less than eight nor more than twelve districts, and to designate in each a city where a Federal Reserve Bank shall be established. The capital of these new banks is to be provided by the banks already existing, whether

[1] The Comptroller of the Currency supplies the following conspectus of the reporting banks on June 4, 1913:—

	Number.	*Deposits.*
National Banks	7,473	$5,953 millions
State Banks	14,011	3,081 ,,
Private Banks	1,016	143 ,,
Trust Companies	1,515	3,571 ,,
Mutual Savings Banks ...	623	3,770 ,,
Stock Savings Banks	1,355	957 ,,
	25,993	$17,476 ,,

The returns from the private banks are far from complete. The Comptroller estimates that there "are over 3,500 private banking concerns and brokerage houses in the country."

organised under Federal or State law—the national banks being required to come into the system, the State institutions being permitted to do so. Every member bank must subscribe for an amount of stock equal to 6 per cent. of its own capital and surplus, half to be paid in gold within six months, the other half to remain subject to call. The minimum capital for a Federal Reserve Bank is to be $4,000,000, and if this sum is not made up by bank subscriptions in any district, the balance is to be allotted to the public or the Government.

To unify the operations of these eight to twelve regional banks, there is set up a Federal Reserve Board, with headquarters in Washington. Over the constitution of this board a great fight was waged—men who feared the "money trust" seeking safeguards against "Wall Street domination," and bankers seeking safeguards against inexperienced management. The final result is a board of seven members, the Secretary of the Treasury and the Comptroller of the Currency, *ex officiis*, and five men appointed by the President "by and with the advice and consent of the Senate." In making his selection, the President "shall have due regard to a fair representation of the different commercial, industrial, and geographical divisions of the country." At least two of his five nominees "shall be persons experienced in banking or finance"; but no member of the board shall be financially interested in any banking enterprise, and none shall be eligible to hold office in any member bank during his term of service or for two years thereafter. The positions are made attractive by a liberal salary—$12,500—a long tenure of office—ten years—and, most of all, by the wide powers entrusted to the Board.

In the large, the Federal Reserve Board is to have supervision over the whole system. It will also have a voice in the management of the regional banks. For the Federal Reserve Board appoints three of the nine directors of each Federal Reserve Bank, the other six being chosen by the stock-holding banks, three to represent them and three to represent the commercial, agricultural, or industrial interests of the districts. Under this arrangement, two-thirds of each regional directorate are debarred from having any financial interest in banks; but this should not mean inexpert management, for at least two of the Federal Board's appointees must be men "of tested banking experience," and the like will doubtless be true of the three representatives of the member banks.

As a moral check upon the possible absolutism of the Central Board, a Federal Advisory Council is created of men chosen by

the Federal Reserve Banks. This council is to meet at least four times a year in Washington, and may hold other meetings elsewhere on its own initiative, or when summoned by the Central Board. Its functions are, as its name suggests, purely advisory. That is, it may confer with the Federal Reserve Board on general business conditions; it may make such representations as it chooses to the latter Board; and it may call for information concerning discount rates, rediscount business, note issues, cash reserves, &c.

While the full responsibility for the general management of the plan rests with the Federal Reserve Board, the Board does not constitute a central bank. For all the banking business is to be conducted by the eight to twelve Federal Reserve Banks, by their branches, and by the thousands of member banks. To show what business changes will result from the new law, it is best to begin with reserves.

Under the old system, national banks in the central-reserve cities—New York, Chicago, and St. Louis—were required to keep in their own vaults reserves of lawful money not less in amount than 25 per cent. of their net deposits. The same requirement was made of national banks in the reserve cities—forty-seven in number—except that they might hold half of this percentage in the form of credits with approved banks in the central-reserve cities. Finally, national banks in all other places were required to carry reserves of at least 15 per cent., of which not more than three-fifths might be in the form of balances with approved banks in reserve or central-reserve cities. The new law preserves this classification of towns, but alters the minimum reserve requirements, makes Federal Reserve Banks the sole approved reserve agents, and introduces a distinction between the reserves required against demand deposits and against deposits subject to notice of thirty days or more. The schedule of minimum reserves as it will stand when the law has taken full effect may be presented in tabular form :—

Banks situated	Against time deposits.	Against Demand Deposits.			
		Total Reserve.	Kept in Bank.	Kept in F.R. Bank.	Kept in either place.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
Not in reserve cities ...	5	12	4	5	3
In reserve cities	5	15	5	6	4
In central-reserve cities.	5	18	6	7	5

It will be seen that this new schedule is considerably lower than the old one; but the Federal Reserve Banks themselves are required to keep much larger reserves than were formerly demanded by law or carried in practice by any American banks, namely, at least 35 per cent. in lawful money against deposits and 40 per cent. in gold against their Federal Reserve Notes—of which presently. Further, many of the State banks and trust companies which will come into the system have carried reserves smaller than the new law requires, and the national banks will no longer be allowed to count the 5 per cent. fund kept with the Treasurer of the United States for the redemption of their notes as part of their reserves against deposits. Last October this fund amounted to almost $36,000,000. While the old requirements were rigid, at least in theory, the new minima are made elastic by giving the Federal Reserve Board power to suspend the reserve requirements at its discretion, subject to a graduated tax upon the deficiencies below the normal level.

Deposits in the Federal Reserve Banks may be made by any of its member banks, by the Federal Government, or by any other Federal Reserve Bank. The latter deposits, however, are to be made "solely for exchange purposes." One of the significant features of the Act is that it sweeps away the last remnants of the "Independent Treasury System"; for the Reserve Banks are to serve not only as Government depositories, but also as fiscal and distributing agents of the United States. All Government revenues may be deposited in these banks, and all Government expenditures may be paid in cheques against such deposits.

The chief income-yielding business of the Federal Reserve Banks will be the rediscounting of commercial paper for member banks. This paper may be "notes, drafts, and bills of exchange arising out of actual commercial transactions," or "acceptances which are based on the importation or exportation of goods." The maturity of the paper must not exceed ninety days except in the case of agricultural bills, where the limit is extended to six months. Bills "covering merely investments . . . or drawn for the purpose of carrying or trading in stocks, bonds," &c., are expressly excluded from acceptance. The discount rates for each class of paper are to be fixed by the Federal Reserve Banks "with a view of accommodating commerce and business"; but they are "subject to review and determination" by the Federal Reserve Board. This Board is even given power to "permit, or on the affirmative vote of at least five members of the Reserve Board to require Federal Reserve Banks to rediscount the dis-

counted paper of other Federal Reserve Banks, at rates of interest to be fixed by the Federal Reserve Board." Further, it is provided that whenever the Federal Reserve Banks become subject to the graduated tax on deficiency of reserves, they must "add an amount equal to said tax to the rates of interest and discount fixed by the Federal Reserve Board." Under this plan the discount rates paid by bank borrowers in all parts of the country will be reviewed, if not determined, by the Central Board in Washington.

It is intended that these new bankers' banks shall be managed primarily with a view to the general welfare of "legitimate business," and only secondarily with a view to making profits for their stockholders. The rate of dividend, indeed, is limited to 6 per cent. of the paid-in capital, which is only half of the subscribed capital. Dividends at this rate are to be cumulative. Half of the net earnings in excess of 6 per cent. are to be held until each Reserve Bank has accumulated a surplus equal to 40 per cent. of its paid-in capital; until this has been accomplished, half, and thereafter all, the excess earnings are to go to the Federal Treasury and be used to supplement the gold reserve against United States Notes or to reduce the bonded debt.

In order to protect their cash reserves and to influence international movements of gold, the Federal Reserve Banks are empowered to engage in "open-market operations" in foreign exchange. That is, they may deal in cable transfers, bankers' acceptances, and bills of exchange "with or without the endorsement of a member bank"; they may buy and sell gold coin or bullion, and they may open foreign accounts, appoint foreign correspondents, or establish foreign agencies as they deem wise for their dealings in exchange.

The problem of providing an elastic currency under the new system was complicated by the existing relations between bank-notes and Government bonds. Last October the bonded indebtedness of the United States amounted to $967,000,000. Of these bonds the national banks had deposited with the Treasury not less than $744,000,000 as security for their notes, and $41,000,000 more as security for their federal deposits. Moreover, $731,000,000 of the total debt consisted of 2 per cent. bonds, and of these the national banks held $701,000,000. Obviously, the national banks could not dispose of these enormous holdings without ruinous loss; obviously they could not afford to hold their 2 per cents. as an ordinary income-yielding investment, and yet the currency could not be

made elastic so long as all bank-notes had to be secured by the deposit of United States bonds.

The solution adopted for this difficult problem contemplates both the creation of a new form of currency and the retention of the old national bank notes. Concerning the latter notes, it is provided that any member bank having bond-secured circulation may notify the Treasurer of the United States at any time within two to twenty years after the passage of the Act that it desires to sell its Government bonds at par. The Federal Reserve Board may then require the Federal Reserve Banks to buy these bonds from member banks at par in amounts not exceeding \$25,000,000 a year. The purchasing banks in turn have the choice of using the bonds as the basis of circulation under the old terms, or of exchanging them at the Treasury for 3 per cent. Government obligations. Not more than half of the latter may be in the form of one-year Treasury notes, which the Secretary of the Treasury may pay off at the expiration of the year or renew as often as he wishes for the next thirty years. The remainder of the securities taken in exchange is to consist of thirty-year 3 per cent. bonds, without the circulation privilege. The intent of these provisions seems to be that the present amount of national-bank notes (\$740,000,000 on October 31st) shall be reduced rather slowly, and that the national banks must continue to carry the great bulk of their Government bonds, though they may look forward to exchanging their 2 per cents. gradually for 3 per cent. bonds and Treasury notes.

The new form of currency is to be known as Federal Reserve Notes. These notes are to be issued by the Federal Reserve Board to Federal Reserve Banks only, against collateral security consisting of commercial paper accepted for rediscount. They may be retired by the Reserve Banks at will by depositing the notes themselves or their equivalent in lawful money with agents of the Central Board. On retirement, of course, a corresponding amount of collateral will be released. While these notes will be obligations of the United States, redeemable in gold at the Treasury, and acceptable in payment of all taxes, including customs, they are made a first lien on the assets of the issuing banks, and the latter are required to hold against them gold reserves of not less than 40 per cent., subject to the remissions accompanied by special taxes which have been explained above.

Such are the main outlines of the new plan. Under it every solvent business man who can provide commercial paper of standard quality should be able to obtain bank loans, whatever be the

condition of business, by paying the market rate of discount. For practically every banking enterprise in the country can qualify to enter the system if it so desires, and every member bank can rediscount the paper it has bought with its Federal Reserve Bank, and the latter at need may rediscount again with one of its fellows in another district. The member bank can take the proceeds of the rediscount in deposit credits or in Federal Reserve Notes, and use either form of credit in making loans to further borrowers. There is no limit placed upon the amount of loans, note issues, or deposit credits except the indirect limits imposed by the possible refusal of the Federal Reserve Board to relax the reserve requirements, or the unwillingness of borrowers to pay the high rates of interest which will be charged when reserves fall below the normal minima. Whether the law will produce an expansion of bank loans in the near future is a point upon which opinions differ. There are bankers who predict contraction.

Among the incidental advantages hoped from the new system are (1) the standardising of commercial paper, for every bank will wish its customers to give it paper which may be used at need for rediscount with its Federal Reserve Bank; (2) the creation of a standard discount rate, possessing somewhat the same significance as the Bank of England's official rate; (3) the publication by the Federal Reserve Board of detailed weekly reports from all the Federal Reserve Banks, which should prove of value in gauging business conditions in different sections of the country; (4) the systematisation of inter-city clearings by the Federal Reserve Banks, and the standardisation of collection charges by the Federal Reserve Board; and (5) the bringing of a larger proportion of the banks under Federal inspection. It may seem as if the admission into the new system of institutions organised under State law would reduce the advantage of possessing a Federal charter. But, on the other hand, the Act omits certain restrictions which have hampered the national banks in the past and grants them certain new privileges. Newly-organised national banks are no longer required to purchase United States bonds; national banks outside the central-reserve cities are at last permitted to make loans upon farm lands; any national bank may apply for a special permit to do trust company business, unless forbidden by State or local law; and finally, national banks with a capital and surplus of $1,000,000 or more may ask the Federal Reserve Board for authority to establish foreign branches.

Whatever difficulties may be encountered in running this great and original system, it promises to secure general adhesion among banks of all classes at the start. Within just one month after the law was signed, 5,007 national banks, representing 75 per cent. of the capital of the system, had formally accepted the provisions of the new Act; 169 other national banks had signified their intention of coming in, and 1,016 State banks and trust companies had asked to be included. Since this date acceptances have continued to come in rapidly, and the largest bank in the country—the National City Bank of New York—has announced its intention of joining, although its president had been one of the severest critics of the new law. Meanwhile the Organisation Committee is at work on the task of dividing the country into Reserve Districts. Before the end of 1914 it is probable that the new system will be running full blast.

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THE LEEDS MUNICIPAL STRIKE.

THE history of the Leeds municipal strike is well worth writing if only as a record of the series of blunders made both by the Corporation and the employees. Space will, however, not allow of any detailed account of the course of the dispute, and attention will therefore be mainly confined to some interesting and important questions which have arisen as a result of the strike.

In July, 1913, a number of municipal servants—paviors' labourers and others—obtained increases in wages amounting in the aggregate to about £9,600 a year. Almost immediately an agitation arose for an increase amongst other grades of employees on the ground that for several years a large number of municipal servants had received no rise in wages, and that in the meantime the cost of living had risen considerably. Accordingly a demand for a 2*s*. increase was formulated for workers in a number of municipal departments, the chief being the gas, sanitary, street lighting, and parks departments. The matter was discussed at the September and October meetings of the City Council, and it was decided to defer the consideration of the men's claims until after the municipal elections, it being understood that any increases granted should date back to October 1st. The threatened strike was consequently postponed by the men. At the November elections, at which the wages

question was the main issue, the labour party gained three seats, and returned to the Council Mr. Walt Wood, the local organiser and leader of the Gasworkers and General Labourers' Union—the chief union concerned. At the bye-elections following on the aldermanic elections, a further labour gain was obtained. The new Corporation Committees got to work and recommended certain increases for over 2,000 men (rather over one-half of all concerned) amounting to £6,500 a year. The men thereupon gave the Corporation three days in which to reconsider these concessions, and no further increases being offered, a strike was proclaimed at midnight on December 10th. Later, the tramway men came out, and after a short strike returned, with demoralising effects on the other municipal strikers. On December 31st the men offered to resume work on conditions that the concessions made were adhered to, that men who had not received 1*s*. advance were granted an increase up to that amount, and that all men were reinstated. On January 7th the Emergency Committee of the City Council agreed to meet Mr. J. R. Clynes, president of the Gasworkers' Union. Negotiations were opened, and on January 13th an agreement was arrived at; advances already granted were to date from the time of restarting work, further claims for increases were to be considered on their merits, and reinstatement was to be commenced immediately and carried as far as possible. The men are no better off than they would have been if they had accepted the Corporation's offer at the beginning of December; indeed, they are worse off, as the increases conceded do not date back to October, and many men, probably about 700, have not been reappointed.

The failure of the employees is due to a variety of causes, some of which are peculiar to municipal disputes. Generally speaking, the odds are against the men during disputes, and the odds are much greater in the case of municipal strikes. The public are the employers, and public opinion is therefore biassed. The anti-labour newspapers are a powerful weapon against the strikers. The economic issues become confused with political ideas. All these factors—the absence of a more or less independent public opinion, the attitude of the Press, and political animus—were present in the Leeds strike. The intervention of the University of Leeds, the obstinacy of the Emergency Committee of the Corporation (it is alleged that they were supported by powerful industrial interests), and the mismanagement by the men's leaders of the whole business from the beginning, completed the defeat of the employees.

Two points call for special attention: the intervention of the University, and the attitude of the Corporation Committee. It is by no means the first time that university students have gone to the assistance of employers during a trade dispute, nor will it be the last. During the Leeds dispute, however, the matter was more serious than that. In order that the attitude of the executive officers of the University may be fully understood, it will be best to quote the words of the Vice-Chancellor, Dr. M. E. Sadler, when he received a deputation from the Leeds Trades Council on December 18th[1]:—

"When, a week ago, requests for assistance reached them from certain departments of the city, a number of them—seniors and juniors—thought it their duty as citizens to give the help desired. This was no ordinary trade dispute. It was not comparable to a struggle between a private employer or a group of private employers and the working-classes. It was a determination, of which I speak with great respect, though I think it misguided, on the part of a large number of municipal employees engaged in services vital not only to the convenience, but to the health, safety, and well-being of the whole community, not least the working people and women and children . . . to desist from their labour. . . . In such circumstances and in response to requests from the authorities of the city . . . some of us—senior members of the University, and students—like large numbers of other individual citizens not connected with the University at all, thought it right to take upon ourselves duties which in ordinary circumstances and in the general division of labour are delegated to others. I should like to emphasise this essential difference between the struggle which has recently taken place in Leeds and any other ordinary economic controversy. . . . In any economic conflict between the employer and his workmen in matters that do not affect the vital interests of our city or national life, none of us, as ordinary citizens, have any concern. . . . We think there was put upon us, in common with all other individual citizens, the duty of using whatever skill and knowledge we possess to prevent the city from being—under, as I think, misguided counsels—held up. . . . We acted . . . deliberately. The city accepted our offer of help so far as that help was needed. Much more help would have been forthcoming from here if the city had required it. . . . Those of us who have been occupied in this matter have felt very deeply that in this trouble we have, in so far as our action has been efficient, rendered to that extent less effective the weapon of the strike."

The views here expressed bring out clearly two questions: first, the right to strike amongst employees in "vital services," and, secondly, the right of organised intervention by universities

[1] The quotations are from the report in the *Yorkshire Observer*, Dec. 19th, 1913.

during disputes in such services. The whole point of Dr. Sadler's speech is that the University, in the interests of the community, was right in giving what assistance it could against the strikers. There does not, however, seem to be any clear distinction between municipal and "ordinary" trade disputes, unless in the municipal services there can be no just ground for serious complaint, and unless there is some form of trustworthy machine for the speedy settlement of differences. There is little to show that in the matter of wages, at any rate, municipalities are deserving of special treatment at the hands of their employees. The Board of Trade Inquiry into Earnings and Hours of Labour illustrates this. The average wage in the public utility services (roads, sanitation, gas, electricity, water, and tramways) was, in 1906, 28*s*. 1*d*. per week; in the whole of the textile industries the average wage for men was exactly the same; in the clothing industries it was 30*s*. 2*d*.; in building, 33*s*.; and in the metal, engineering, and shipbuilding trades, 33*s*. 11*d*. The railways, which would be included amongst the "vital" services, paid, in 1907, 24*s*. 4*d*. per man on the average.

Further, "vital" services are not necessarily municipal services, for in many towns such services are in private hands. Then also the "vital" nature of industries is a matter of degree; no industry is absolutely "vital," just as no monopoly is ever perfectly complete. In both cases there are always substitutes. The nearest approach to a really "vital" service is the disposal of sewage (with which, in the Leeds dispute, the University students were not concerned). It was because the gas and electricity services were considered "vital" that the Pro-Chancellor and Vice-Chancellor of the University gave their approval to the action of the students. The active assistance given by the University officers creates a dangerous precedent. The gas supply in London, Sheffield, and Bristol, the supply of electricity at Norwich and on the Tyneside, the trams in Dublin and Oxford, are all under private, not municipal, control. If the Leeds precedent is accepted, it would be difficult for the local university officials to refuse assistance in the event of a strike in any of these services, and we should then have the university involved in "ordinary" disputes between Labour and Capital. But the category of "vital" industries is by no means confined to local services. The railways are much more "vital" than trams, and coal, obviously, than gas. The principle of intervention during disputes in "vital" services would embroil the universities of the country in every strike in industries employing over an

eighth of all the occupied males of the country. Logically, interference in disputes in "vital" services would implicate the universities in ordinary disputes between Labour and Capital (to which Dr. Sadler objects); and if interference is limited merely to municipal strikes, then it is placing such disputes on a different footing from strikes in equally vital industries which are privately controlled—a proceeding which cannot be justified.

There is another important consideration. The trade union movement, as a whole, condemned the action of the University officers and students as an attempt at strike-breaking, and saw no reason for not stigmatising the student volunteers as "blacklegs." The implication is clearly that the intervention has not been impartial, but that the University, so far as it was able, threw itself on the side of the Corporation. Though in the speech quoted above the Vice-Chancellor considered that the strike was unwise, he refrained from passing any opinion on the points in dispute. In a communication to the Press,[1] issued by the Pro-Chancellor and Vice-Chancellor, it was stated that they "took action in the belief that the failure of certain municipal services would have consequences disastrous to all classes of the community. . . . The University has not taken a side in the wage dispute which led to the strike." No one will question for a moment the motives of the University officers, but just as they were concerned with the consequences of the dispute, so the trade unionists were concerned with the consequences of the intervention of the University. The object of the strike was the suspension of certain services, and its success was dependent upon the extent to which suspension was achieved. The object in using "blackleg" labour is to maintain the services as completely as possible. The whole aim of using the services of the University students was also to maintain the municipal services, and as has already been seen above, Dr. Sadler admitted that "we have, in so far as our action has been efficient, rendered to that extent less effective the weapon of the strike." In other words, they had weakened the chances of the men's success, just as professional strike-breakers would have done. So that though there was no intention to act otherwise than impartially, the University did in point of fact aid in breaking the strike. The greatest crime in the trade union calendar is "blacklegging," and it is because the consequences of what was done by the entry of the University into the dispute were the consequences associated with "blacklegging" that the trade union movement

[1] See *Yorkshire Observer*, Dec. 29th, 1913.

has shown such keen resentment. On the other hand, as Dr. Sadler has pointed out,[1] the University authorities did all in their power to bring about an honourable settlement of the dispute. When it is remembered that the Corporation and many powerful interests desired to avoid a conference which might lead to a settlement, this action may be regarded as taking sides with the men.

There is a further reason why universities and similar institutions should not identify themselves with labour disputes. Their intervention must necessarily be one-sided, and always against the men. However good the workers' case may be, they can take no direct action to help them. In the case of a lock-out in a "vital" industry they would not be able to maintain the service, whatever its importance to the health, safety, and convenience of the community. The maintenance of such a service is as desirable during a lock-out as during a strike, but a university would be powerless to act. In these circumstances, it would seem that, if universities are to keep themselves clear of the class war, they must of necessity refuse to maintain "vital" services during a strike.

Another complication, of a quite different kind, which added bitterness to the dispute was the refusal of the Corporation to meet the men in conference. It is difficult to realise that a large municipality in the twentieth century denied to its employees the right which is widely established in ordinary industry of conference on wages and conditions of labour. The question of increases had been before the public for a few months, and the Council decided to defer the matter until after the November elections. On the publication of the Council's concessions, the men held a mass meeting (December 7th), at which they decided to strike in three days unless the Corporation reconsidered the position. The leader of the City Council then suggested that the whole matter should be submitted to arbitration by Sir George Askwith. The employees rejected this eleventh-hour proposal, partly because they felt that matters had gone too far for appeal to an external authority and partly because they felt that the suggestion was prompted by fear, no proposal of the kind having been made during the months the men's demands were before the Council. On December 10th the employees' leaders met the Lord Mayor, who later in the day communicated to the men the news that he had interviewed the leaders of the Liberal and Conservative parties, and that they had agreed to meet the repre-

[1] In a letter to the Parliamentary Committee of the Trade Union Congress.

sentatives of the men on the following day. December 10th saw the expiration of the three days' notice, and the men's mass meeting on that day decided that it was too late to avert a stoppage, but recorded their willingness to meet the Chairmen of Committees and the representatives of the three political parties on December 11th. This offer was ignored. Throughout the course of the strike the men's officials repeatedly asked for a conference. On December 12th a strikers' meeting called "upon the authorities to enter immediately into a conference with the men's representatives with the object of arriving at a satisfactory settlement." This attitude the men maintained throughout. Strenuous efforts were also made by outsiders to bring the contending parties together. Ultimately a "conference" was arranged, which took place on December 20th and December 22nd. On the first day the men and the Corporation met in the same room for less than an hour. The remainder of the negotiations were conducted by the exchange of typewritten statements, the two sides sitting in separate rooms. Naturally, this mode of procedure led to nothing, and negotiations were broken off. The Corporation Committee issued a statement to the effect that "the men may come back on individual application." The denial of a free and full conference and the offer of individual reinstatement strike at the roots of collective bargaining, and the question of trade union recognition became an additional issue in the dispute. On December 26th, three members of the staff of the Economics Department in Leeds University published a letter urging nine reasons for a full conference. It is clear that people were now prepared to support the idea, for two out of the three local morning papers expressed themselves favourably.[1]

[1] "We hope that the appeal . . . will be successful." (*Yorkshire Observer*, Dec. 26th, 1913).

"Out of such a conference much good must result (*Leeds Mercury*, Dec. 29th, 1913).

The comments of the *Yorkshire Post* (Dec. 27th, 1913) will be of interest to readers of the ECONOMIC JOURNAL. In the course of a long article it said, "we are surprised, and somewhat disgusted, to find there are Professors in a University in receipt of public money from the ratepayers and from endowments provided by wealthy citizens who think it wrong that certain students in the University should come to the rescue of the city to whom they owe so much. We say frankly that if these Professors are sincere, and desire to be consistent, they ought to refuse any of the tainted money—that is, money provided by the ratepayers to whose primary interests they are opposed. . . . The letter which we published yesterday . . . was nothing to the point. Its economics and its logic are as feeble as its citizenship. . . . Are we to understand that Professor Macgregor and his colleagues in his especial branch have been trying to teach in the University the validity of Syndicalism, the right of certain leaders to plunge a great civilised community into utter darkness or starvation, and that this is what they are pleased to call the teaching of Economics

On December 24th, a meeting of workers passed the following resolution: "That we pledge ourselves to take steps to supplement the support to the men during the present strike. Further, that we greatly regret that no proper conference has taken place during the dispute between representatives of the parties concerned, and we request the president of the Council (Mr. J. R. Clynes, M.P.) to intimate publicly our readiness to discuss immediately the points of difference with a view to an early settlement of the dispute." This decision was communicated to the Corporation Committee, which replied by asking "for any point of difference to be stated to them in writing." Further correspondence followed, and on January 7th Mr. Clynes met the committee of five. A conference was therefore ultimately achieved, although one local paper called the meetings "conversations." On January 13th terms of settlement were agreed upon, the strike having lasted five weeks. It is obvious that whilst a free discussion of points in dispute will not necessarily end immediately in agreement, yet a municipal strike cannot well be ended without a conference of some kind. It may also be laid down that under no circumstances should the representatives of a municipality refuse to meet the men. If they do refuse, their action must be considered punitive and vindictive. Proceedings in Leeds may prove to be a dangerous precedent. In Blackburn the same policy has been followed. The only hope is that some machinery may be devised which will diminish the need for resorting to the strike, and also reduce political and class animosity in municipal disputes.

ARTHUR GREENWOOD

now-a-days? If this be so, we are certain that the people in Leeds who have put their money down for the founding of chairs and the paying of salaries to these Professors will want to reconsider their attitude. . . . Judging by what is reported, Mr. Macgregor seems to have believed that Economics ought to be taught from the standpoint of the Trade Unions and Syndicalists, possibly of Mr. Sidney Webb and of Mr. Henry George. We are, however, content to leave this matter to the authorities immediately concerned. We should wish to let bygones be bygones, always provided that the heads of the University exercise adequate supervision over individuals." It is also stated, regarding the real point of the letter in question, that "there can be no conference with these men."

Put into plain English all this means (1) that the people who finance Universities shall control teaching so that teachers who disagree with the private views of the head of their University (and the views of the local Press) should be punished; (2) that certain views—in this case Syndicalism, etc.,—should be forbidden to University teachers. A small section of political extremists in the labour movement have always viewed with suspicion any attempt to bring together the Universities and the working classes on the ground that University economists were bound to teach the views of the capitalists who provided their salaries; it is a new thing for a "Capitalist" newspaper to put forward as an ideal what these political extremists intend as a damning accusation.

Note on Mr. Greenwood's Article on the Leeds Municipal Strike.

By the courtesy of the Editor and of Mr. Greenwood, I have been shown a proof of the latter's article on the Leeds Municipal Strike, and have been given an opportunity of writing a note on it. This, for reasons of time, must be shorter than a full discussion of the issues would require.

In his brief narrative of the strike, Mr. Greenwood fails, I think, to convey to the reader an adequate idea of the serious danger with which the city of Leeds was threatened at the crisis of the dispute, or of the weight of the reasons which led about a thousand of the citizens (including a hundred senior and junior members of the University) to come to the help of the city as volunteer workers, with the purpose of maintaining certain necessary public services which otherwise, to the injury and danger of the inhabitants, would have been suddenly broken.

The men's grievances first came to a head on September 21st in a demand by the Gas Workers' and General Labourers' Union for an increase of wages to the extent of two shillings a week all round, with the threat of a strike if this was not granted. On October 1st a ballot of the men confirmed this demand. But it was felt by the members of the City Council that the period immediately preceding the municipal elections was inopportune for the consideration of such a claim. A conference was therefore held by the Lord Mayor on October 14th, when the men's leaders were assured by representatives of the City Council that their application would receive prompt attention by the new committees which would be appointed after the municipal elections. On receiving this assurance, the men agreed to wait. The Council fulfilled its promise and, on December 3rd, sanctioned advances to a large number of its workmen, the total increase amounting on one calculation to about £9,600 a year. But the advance of two shillings a week all round was not conceded (a number of the employees receiving no increase at all), and the men were not satisfied with what was offered. At a mass meeting on December 7th they gave three days' notice of a general strike, unless the whole of their demand was complied with. On the following day Alderman Wilson, the Chairman of the City Finance Committee, offered, on behalf of the Council, to submit the dispute to arbitration, and suggested that Sir George Askwith should be asked to arbitrate. This suggestion was refused by the men's leaders, on the ground that there was nothing to arbitrate on, as

they were not prepared to accept anything less than a full concession of their demand. One of the leaders said: "We contend that we can be the arbitrators." On December 10th the Lord Mayor made yet another effort to settle the dispute. He endeavoured to arrange a conference between representatives of the Council and of the men, but the proposal to confer was rejected by the men, who adhered to their resolution to strike. Accordingly, at midnight on December 10th, the strike began, a great body of municipal workpeople withdrawing their labour at once. The number of those who came out on strike in the first instance has been variously estimated at about three or four thousand. They included workers in nearly all the city departments—in particular gas, electricity, water, sewage, and street cleaning. In the days immediately following, the ranks of the strikers were reinforced by the skilled workers of the electricity and gas departments, who left their work without giving the notice required by their contracts. The critical day was Friday, December 12th. On that day the city was threatened with the sudden and complete stoppage of its supply of both gas and electricity. Faced by this danger, the city authorities, as in duty bound, left no stone unturned in a great effort to keep these necessary services running. Help was sought wherever it might be found—from the offices of the City Council itself, from engineering and other firms, and from the general body of citizens. At the University urgent requests were received for aid in both the electricity and the gas departments. The response on the part of the citizens was immediate. In order that the streets and houses of the city might not be plunged in darkness, it was necessary to maintain in full operation the municipal electrical works and (so far as possible) the municipal gas works. The consequences of a breakdown in these services would have been very grave. There was a strong feeling amongst the citizens that the peril must be averted. A large number of citizens with knowledge of electrical machinery and gas-making appliances instantly volunteered their help. Among these were a considerable number of senior and junior members of the University. In addition to this, and likewise in response to the request of the city authorities, a very large number of other citizens volunteered for unskilled work in the gas, electricity, and other departments. This help was given without there being at the time any expectation of payment. The volunteers maintained unimpaired the supply of electrical light and power, and, after a few days of great inconvenience, entailing loss to some thousands of workpeople, the partial check in the supply of gas

was sufficiently removed. The volunteers continued their work for about a month. Exceptional steps for the policing of the city prevented disorder, though there were three serious outrages—one of them a dangerous attempt upon a volunteer worker. The public opinion of the city was, in the main, strongly in favour of the action of the volunteers. In the ranks of the latter all classes of the community were represented. The fact that practically all the volunteers had work of their own to return to when their services were no longer needed greatly simplified the problem of reinstatement. This was recognised by the strikers as well as by the public. At the end of the dispute, when the regular workmen returned to their posts, they were intermingled for a shift or two with the volunteers. At this point there was no sign of bad feeling, but, on the contrary, more than one demonstration of goodwill on the part of the returning strikers to the volunteers who had temporarily taken their place.

There is and has been from the beginning of the dispute, so far as I am able to judge, a general desire throughout the city that all reasonable grievances on the part of the municipal employees should be removed. It is certain that the varied episodes of the strike have made the public think about the conditions of municipal employment much more seriously than before. This quickened public opinion will be an important factor in future discussions as to the wages to be paid to, and the conditions of service of, the municipal employees in the city.

Before the outbreak of the strike the leaders of the municipal employees did not conceal their belief that the withdrawal of their labour from the necessary municipal services would produce a condition of things which would compel the City Council to concede the whole of the strikers' demands. It was this implied threat, accompanied by the strikers' refusal of arbitration and of conference during the days immediately preceding the strike, that impressed the great majority of the citizens with a feeling that it was necessary to prove that, in the last resort, the vital services of the city could be carried on by volunteer effort for a time sufficiently long to defeat an attempt to bring the city authorities to their knees. With the desire of the municipal workmen to obtain an improvement in their wages, the citizens had no quarrel. They were prepared to leave proposals for the settlement of that question to those who were appointed to deal with it. They were ready to support what was judged to be fair and reasonable in settlement of the dispute. The results of arbitration would, I think, have been unreservedly

welcomed. But when arbitration was refused by the men and an attempt made, by the suspension of necessary communal services, to force the city into surrender, the great body of the citizens felt that wrong means had been adopted by the strikers to secure what might be in themselves justifiable improvements in their condition. The action of the volunteers was not in the nature of a class struggle, but a falling-back, on the part of the city, upon its own reserves of strength for the carrying on of work which was necessary to its safety and health.

There were, in fact, three parties implicated in the struggle —the City Council *quâ* employer (but, unlike the private employer, subject ultimately to the ratepayers' pleasure, and including a representation of the varied opinions of the city), the municipal workmen concerned, and the community as a whole. When the relations between the City Council as employer and a large number of its workpeople had broken down, the latter (refusing arbitration and conference) took up a weapon which was turned, not so much against the City Council as employer, as against the whole community. The community, therefore, took steps to protect itself against an attempt which, if successful, would have seemed to prove that the services of a particular group of workpeople were indispensable to the continued well-being of the city. The belief that the community had not other resources of skill and strength among its own members from which to draw, and that therefore the withdrawal of the employees from the city services would force the community into compelling its representatives to concede all that the strikers asked was an illusion, and a dangerous illusion, which the experience of Leeds during December and January has done something to dispel.

A considerable part of Mr. Greenwood's article is devoted to a discussion of the part taken by members of the University in the course of these events. The University as a corporate body did not take any action in the matter at all. On Friday, December 12th, urgent requests were addressed, on behalf of the City Council, to the University authorities for help in preventing the stoppage of certain public services necessary to the health and safety of the city. In the suddenness of the emergency, the University as a corporate body could not be consulted; but its executive officers (the Pro-Chancellor and the Vice-Chancellor, together with the Pro-Vice-Chancellor), after careful deliberation, took action, believing that the failure of certain municipal services would have consequences disastrous to all classes of the community. They communicated the request of

the city authorities to members of the University, a considerable number of whom, seniors and juniors, volunteered immediately, like many other citizens, for skilled and other work in the gas and electrical departments of the city. What was done was directed, in the public interest, to the maintenance of the well-being of the city in what was regarded by its responsible authorities as a grave emergency. The University has not taken a side in the wage dispute which led to the strike. On this and other questions individual members of the University have been perfectly free to hold and express their opinions.

As Mr. Greenwood has quoted from a reply which I made to a deputation from the Leeds Trades and Labour Council on December 18th, I am sorry that he has not included in his quotation two other passages from my speech. I told the deputation that, before any members of the University undertook the duty of volunteering, I had felt it right to say two things to them. The first was that no junior member of the University should undertake the duty without the leave of his parents. In the second place, I urged upon all that they should undertake it in a very serious spirit; that they should clear their minds of any feeling of irritation or anger, and still more from any feeling of class antagonism; that they should remember they were doing for the whole community something very serious and necessary; and that they should do it quietly and without excitement, endeavouring to realise the condition of the ordinary worker's lot and determining to use their influence now and in the future for a wise and just settlement of any grievances that might exist.

At the conclusion of my speech, after admitting that, in so far as the action of the members of the University and other volunteers had been efficient, it had rendered to that extent less effective the weapon of the strike, I went on to say: "We feel that as municipal employment extends, as State employment grows, and as those monopolies which touch the essential concerns of public well-being pass under social and public control, it becomes the more necessary that all who are engaged in the charge of those monopolies should refrain from any action which, by threatening to hold up the community, might subserve their own immediate purpose. For that reason I, and I know many here, feel with great intensity the need for furnishing to the employees in the municipal and State services some right of easy appeal to a tribunal so constituted as to command general respect and armed with such powers of extensive inquiry and report as will enable it to review, and then bring before the public, whatever needs to be

changed in the condition of employment (not wages only), with a view to their improvement by the appointed financial authority, whether in the municipality or the State."

Mr. Philip Snowden, M.P., in an admirable article published in the *Leeds Mercury* of January 15th under the title "Some Lessons from the Leeds Municipal Strike," urged the same point. The course adopted by my colleagues and myself, in response to the urgent request from the city authorities, seems to me to have been the best which could have been taken in the circumstances. To have refused point-blank to do anything at all, or to allow anything to be done by individual members of the University, in response to the appeal, would have been a course much less capable of justification. No pressure of any kind was put upon any member of the University to volunteer. The University as a corporate body was not involved. Those of us upon whom, as its executive officers, the immediate responsibility fell, were agreed in thinking that the community needed help, and we did not conceal our opinion that those members of the University who had the necessary skill and who wished to volunteer would, subject to their parents' consent, be right in doing so.

The facts of the case do not confirm Mr. Greenwood's fear that action taken by members of a University in a labour dispute of this kind must necessarily be one-sided and always against the men. A University is a society of men and women with freedom to express opinions formed after careful consideration of the issues involved. One of its great contributions to the life of the nation lies in the expression of considered individual judgments on questions of public importance. The support of those judgments would be of the highest value to either side in a great struggle. In the present case the action of the volunteers rendered material service to the interests of the whole community of Leeds, including the working people and their families, who would have been among the worst sufferers through a stoppage of the municipal services necessary to the well-being of the city. Mr. Greenwood adds that, "however good the workers' case may be, the Universities can take no direct action to help them. In the case of a lock-out in a 'vital' industry they would not be able to maintain the service, whatever its importance to the health, safety and convenience of the community."* It is not easy to imagine the circumstances which Mr. Greenwood suggests. But if the bodies controlling a vital industry locked out all their workpeople, with cynical indifference to the interests of the whole community, the intervention of Government would be inevitable, and in that

case, in response to the request of Government, individual citizens, including members of Universities, should be free to volunteer their help.

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CURRENCY IN 1912.

Forty-Third Annual Report of the Deputy Master of the Mint, 1912. [Cd. 6991.] 1913. Price 10½*d.*

ONE of the most interesting tables in recent issues of this Report has been that showing the amount of Imperial gold coin held by banks (including the Bank of England) in the United Kingdom on the last weekday in June each year since 1907 :—

Year.	Day of the Week.	Amount £
1907	Saturday	33,296,802
1908	Tuesday	50,369,167
1909	Wednesday	49,221,074
1910	Thursday	44,214,173
1911	Friday	54,009,977
1912	Saturday	60,640,681

This table is commonly studied because it is supposed to have an important bearing on the question of the gold reserves held by the banks. Some bearing on this question it no doubt has; but it is greatly obscured by a confusing and irrelevant factor. The table includes all gold *coin*, but not gold bullion, held in all banks, including the Bank of England. Now it is fairly safe to assume that the banks, other than the Bank of England, hold, possibly with one recent exception, no amount of gold bullion worth considering. We know also the aggregate of gold, coin and bullion together, held in the Bank of England. But there is no means of knowing in what way this holding is distributed at any given date as between coin and bullion. Thus the table would tell us approximately what we want to know, either if it told us the amount of bullion held, as well as the amount of coin, or if it *excluded* altogether the Bank of England's holding of coin instead of including it. The first alternative may lie rather outside what the Mint authorities regard as their proper field; but there seems little objection to the second alternative. If the table were to be republished with this correction, its scientific value would be economically increased. At present a fluctuation in the published amounts of the banks' holdings of coin may be merely due to the Bank of England's holding different proportions

than before in the form of coin and bullion respectively, and may have no bearing, therefore, on the total gold holdings of the country. What proportions the Bank of England commonly holds in the two forms, and whether they fluctuate much from year to year, the Bank authorities do not disclose; and they are likely to remain faithful to their well-established policy of knowing little and telling nothing. But there is reason to suspect that the fluctuations are appreciable—dependent partly on variations in the amount of *foreign* gold coin held, which is not included in the above returns, and partly on the rate at which the Mint is able to make delivery of new gold coin; for by a privilege of the Bank, which is sometimes forgotten, gold lying at the Mint can be counted as belonging to the Bank's reserve, and large consignments of bullion are sometimes sent to the Mint to be coined as opportunity serves.

When this table was first published, observers were struck by the great increase in 1908 over 1907; and the ingenious explanation was invented that the change was chiefly due to the day of the week. On Saturdays (as in 1907), it was pointed out, there is a large drain of sovereigns from the banks for the payment of wages, whereas by Tuesday (as in 1908) a large part of these has filtered back again. This explanation, which has no doubt a certain amount of force in it, is still repeated year by year in the financial weeklies; but the returns for subsequent years have not justified the importance which has been attached to it. In 1909 and 1910 the day of the week became still more favourable to a high return than 1908, but the figures actually fell; whereas in 1912, when the day had come round to Saturday again, the figure rose much above its previous level. The great increase between 1907 and 1908 is rather to be attributed, I believe, to the influence referred to above. In June, 1907, the Bank had a considerable holding of foreign gold coin, which would be excluded from the return; much of this was exported during the crisis at the end of that year, and had been replaced with sovereigns by June, 1908. If this was the case, the Mint's figures would chiefly reflect a change, not in the amount of the country's gold reserves, but merely in their form. The actual figures are a resultant of the proportion held by the Bank of England in bullion and foreign coin, as well as of the day of the week and of the aggregate gold reserves of all the banks. If this first factor could be eliminated, the Mint's table would become a highly important *datum*.

It may also be worth while to point out that the Mint Report

for any year is published in September of the year following, time being required to obtain returns from the Colonial Mints. Thus we shall not know the gold holdings in June, 1913, until fifteen months later, in September, 1914. If the Mint could anticipate by a year and could publish, in September, 1914, the figures for June, 1914, as well as for June, 1913, they would be doing students a service.

The table of holdings of silver coin is not subject to the same disturbing factors, and possesses a different kind of interest:—

Year.	Day of the Week.	Amount £
1905	Friday	5,287,215
1906	Saturday	4,724,729
1907	Saturday	5,105,191
1908	Tuesday	6,832,798
1909	Wednesday	7,089,288
1910	Thursday	7,045,031
1911	Friday	6,022,365
1912	Saturday	5,968,989

In this table we have the effect of the days of the week clearly discernible, unclouded by other influences. The Report points out that:—"Comparing the figure for 1912 with that for 1907, it will be seen that the stock increased by £863,798. During the intervening period, however, the net issue by the Mint to the United Kingdom was more than £2,000,000, and the figures indicate, therefore, a considerable increase in the amount of silver coin in active circulation in recent years." This may throw an interesting sidelight on working-class prosperity.

The relation between social changes and the activities of the Mint is also curiously illustrated by the inordinate demand for pence in the latter half of 1912. During these six months "upwards of £263,200, or nearly double an ordinary year's issue, was delivered." This is attributed to the working of the National Insurance Act, wages which had been previously adjusted to the nearest sixpence or shilling being paid, after deduction, in odd pence.

In 1912 the supply of British silver coin to West Africa continued on a large scale, though not on so large a scale as in the previous year. The curious anomaly of the wide circulation in Africa as unlimited legal tender, of what are limited legal tender tokens at home, has now come to an end by the introduction of a specific West African silver coin; and in future years the British Mint will be deprived of a very considerable source of profit.

The coinage of sovereigns was on an even larger scale in 1912

than in 1911, reaching a total value of £33,350,249. The following table of gold coinage at the London Mint since 1897 strikingly illustrates the effect of the development of the South African gold mines on the circulation of the sovereign :—

	£		£
1897	1,784,078	1905	7,422,400
1898	5,795,610	1906	12,589,700
1899	9,196,918	1907	20,575,374
1900	13,000,427	1908	13,727,502
1901	2,597,779	1909	14,162,456
1902	7,126,194	1910	24,891,564
1903	10,149,665	1911	33,096,158
1904	10,900,089	1912	33,430,079

During the same period the coinage of sovereigns in Australia fell from an annual average of about £11,000,000 to a little more than £9,000,000 in 1912. The aggregate value of the sovereigns coined in 1912 was nearly £43,000,000, as against £31,000,000 of all foreign gold coins taken together. The combination of the demand for sovereigns in India and Egypt with London's situation as the distributing centre of the South African gold is rapidly establishing the sovereign as the predominant gold coin of the world. Possibly it may be destined to hold in the future the same kind of international position as was held for several centuries, in the days of a silver standard, by the Mexican dollar. Certainly several countries outside the British Empire, lately establishing their internal currencies at a parity with gold, have done so in terms of sterling. In this connection it is interesting to note that in 1912 British sovereigns and half-sovereigns were declared legal tender in Portugal at 4½ and 2¼ escudos respectively, the escudos being the new unit which is to supersede the old milreis. In Canada, on the other hand, the coinage of sovereigns at Ottawa virtually ceased, and the Canadian gold coins, of ten-dollar and five-dollar denominations, authorised by the Currency Act of 1910, were struck for the first time. In Turkey a considerable number of British sovereigns were recoined into pounds Turkish.

As the sovereign becomes more widely used in all parts of the world, the expense of maintaining the integrity of the currency, through the withdrawal of light coin, will grow increasingly burdensome. In the year under review £1,300,000 light-weight sovereigns were sent home by the Government of India, involving an expense to the Mint of £10,000. The Indian authorities allege (*see* the Report of the Indian Comptroller-General for 1912–13) that the very high percentage of light-weight sovereigns tendered at Bombay is due to the large imports from

Egypt, "where a gold currency has been in existence longer than in any other Eastern country, and where, it is believed, sovereigns are sweated." If India comes to mint sovereigns for herself, the problem of where the burden of withdrawing light-weight coin should fall may raise delicate questions.

The Mint Report includes a useful abstract of events affecting foreign coinages during the year. In 1912 there were two innovations of some interest. For the first time a gold coin (a 5 guilder piece) has been minted in Holland, and this country now departs, after nearly forty years, from a perfectly pure Gold-Exchange Standard. There are, however, somewhat peculiar circumstances in the case. For many years after the introduction of a gold standard, the reserve of the Bank of the Netherlands contained a very high proportion of the silver coins left behind as a legacy of the former standard. Very wisely, therefore, the Bank husbanded its gold, discouraged its internal circulation, and provided it freely only when it was required for export as a support to exchange. As time has gone on, this silver has found its way into circulation primarily not in Holland herself, but in the Dutch East Indies, where with great prescience a currency was established uniform with that of the Mother Country, and has been replaced in the Bank's reserves by gold. The redundant silver of Holland has thus been progressively absorbed in the East, and a point has now been reached when new silver of the lower denominations must be minted, a step for which legislative sanction had to be obtained. As regards the 2½ guilder silver pieces, however, the policy is being pursued of encouraging their replacement in Holland by 5 guilder gold pieces and of exporting to Java the silver coins thus released.

The other innovation which deserves notice is in Nicaragua, where on March 20th, 1912, the currency was put on a gold-exchange basis as the result of the report of Mr. Conant and Mr. Harrison. "The cordoba has been given a fixed value of $1 United States Currency, and the paper currency was exchanged for cordobas at an exchange of 1,250 per cent. The Reserve Fund for the conversion is kept by the United States Mortgage and Trust Company in New York. Sight drafts on New York may be obtained at the Banco Nacional in exchange for cordobas at par *plus* a small commission. Cordobas are not exchangeable for gold coin. The Banco Nacional notes are not exchangeable for silver or gold." The new coins have been struck at the Birmingham Mint, which has also supplied currency to Colombia, Egypt, and Travancore.

This very interesting Report is the first which has been issued by the new Deputy Master, Sir Thomas Elliott, but the period dealt with does not fall within his tenure of the office.

J. M. KEYNES

THE TRADE BOARDS ACT.

Memoranda in reference to the Working of the Trade. Boards Act. [H of C 134.] 1913. Price 3*d*.

Special Report from the Select Committee on the Trade Boards Act, Provisional Orders Bill, &c. [H of C 209.] 1913. Price 6½*d*.

THESE are the two most important official papers which have been issued with regard to the administration and extension of the Trade Boards Act, 1909. A general outline of the history of the work under the Act may be gathered from their pages. Regulations were issued by the Board of Trade for the establishment of Boards in the chain trade in 1909, and in the paper box trade of Great Britain, the lace-finishing trade, the tailoring trade of Great Britain, the paper box trade of Ireland, and the tailoring trade of Ireland in 1910. It is estimated that these six Boards in the four originally scheduled trades cover some 200,000 workers, of whom about 70 per cent. are women. The members of the Boards representing employers and workers, taken together, vary from 10 to 38; while there are three neutral "appointed members" on each Board, except in the case of the British Tailoring Board, where there are five. Nine District Committees have been appointed by the British Box Board, and seven by the British Tailoring Board. Both the Boards for the two localised trades (lace finishing and chain) and those for the scattered trades (tailoring and box-making) have established minimum rates applicable throughout the trade. At the time when the Memoranda were issued the following time rates had been established by the Boards:—

Trade.	Females per hour.	Males per hour.	Dates when awards (time or piece) came into full operation.
Chain making... ...	2½*d*.	5*d*.—7*d*.	23 Feb., 24 May, 2 Aug., 1911
Lace finishing ...	2¾*d*.	—	19 Feb., 16 Sept., 1912
Box making—			
Great Britain ...	3*d*.	6*d*.	12 Sept. 1912; 6 Jan., 1913
Ireland	2¾*d*.	6*d*.	5 May, 6 June, 1913
Tailoring—			
Great Britain ...	3¼*d*.	6*d*.	20 Feb. 1913
Ireland	Not yet fixed	—	

Minimum piece-rates have also been fixed for various processes in the chain and lace trades and for the match-box makers of the East End of London. If the employer pays workers by piece for doing work for which a minimum time-rate, but no general minimum piece-rate has been established, "it is not necessary for him to show that the piece-rate which he has fixed yields every worker, however slow or incapable, at least the same amount of money as the minimum time-rate would yield, nor, on the other hand, is it sufficient for him to show that the piece-rate, which he has fixed, will yield the equivalent of the minimum time-rate in the case of a specially fast worker." In other words, in effect, a certain proportion of the workers may earn less than the minimum time-rate in every factory of a trade in which piece-work prevails, and for which, for one reason or another, no piece-work rate has been fixed. This is the first important modification of the principle of a rigid minimum wage which has been admitted. The second arises out of the power of the Boards to issue permits to slow workers to be employed for less than the minimum rate. At the time of the issue of the Memorandum in May the number of permits authorised was: in lace-finishing, 2; in box-making (Great Britain), 24; in tailoring (Great Britain), 95. The remaining three Boards had not granted any permits. It is important, further, to observe that the principle of a lower minimum rate for women than for men has been admitted, and that scales of special minimum rates have been fixed for juveniles and learners. In order to prevent the possibility of the minimum wage principle being in effect defeated by the substitution of juveniles and learners for qualified adults, it has been found necessary in the awards for the hand-hammered chain, the dollied and tommied chain, and the machine-made lace and fancy net finishing and paper box (Britain and Ireland) trades, to require that all learners, who receive less than the minimum rates payable to adults, shall obtain certificates from the Trade Board responsible for the trade in question. It has been laid down in these awards of the Chain and Lace Boards that, "in granting or withholding such certificates, the Trade Board may take into consideration whether, having regard to the number of learners employed in any factory or workshop, or under any journeyman or worker, the learner proposed to be certificated has a reasonable prospect of receiving due instruction. Provided also that the certificate may be withdrawn if the Trade Board considers that the conditions have ceased to be such as would have originally justified the issue thereof." The two Paper Box Boards have also established a system of certificates for

learners, and require that these learners shall be properly instructed. Investigating officers have been appointed to secure the enforcement of the minimum rates fixed under the Act. There had been four prosecutions up to the time of the publication of the Memoranda. Various instances are given of cases where employers have been compelled to refund arrears without prosecution. According to information which has subsequently "leaked out" through a Trade Union journal and a Labour newspaper, 371 individuals in the clothing trade were compulsorily repaid arrears varying from a few shillings to £5 between February and September, 1913.

The Government announced last Session that it proposed to ask Parliament to sanction the extension of the Act to the trades of (1) sugar confectionery and food preserving, (2) shirt-making, (3) hollow-ware making, (4) linen and cotton embroidery, (5) calendering and machine ironing in steam laundries. It was calculated that between 150,000 and 200,000 additional persons would be brought under the Act by this extension. The proposal for extension to the four first-named trades was accepted by Parliament without demur. But owing to an unfortunate series of errors of judgment on the part of Board of Trade officials, the laundry employers were able on a technical point to defeat the attempt to secure the inclusion of a section of the laundry industry. The somewhat complicated history of the proceedings which led to this result may be unravelled with some difficulty from the Report of the Select Committee. A full consecutive analysis of the Report has been published in the *New Statesman* Blue Book Supplement for October 4th, 1913, pp. 3–4. It may be added that a number of persons with an intimate acquaintance of the working of the Trade Boards are of the opinion that the attempt to isolate special "trades" within the laundry industry is a mistake, and that it would be a wiser as well as a bolder course to schedule the whole industry, or at least the whole of the factories where power of any kind is used for driving machinery. The knotty point in the controversy over the laundry trade arises out of the competition of the hand laundries (including thousands of poor women who wash for a few customers with the aid of a friend or a child) with that of the power laundries. But it appears that the power laundries are, as a matter of fact, steadily gaining on the hand laundries, and if it is finally considered administratively impossible to deal with the rate of payment in all or in the smallest of the latter, it is difficult to believe that the exclusion of all or some from the minimum wage regulations

would inflict an appreciable injustice upon the power laundries. However, that is a question *sub judice.* Mr. Buxton promised to deal with the application of the Act to laundries this year, and it is to be hoped that Parliament will see that a measure of justice is accorded to as many as possible of the underpaid workers in the industry.

These two Reports do not provide by any means an adequate survey over the problem of the working of the Trade Boards Act. They need to be supplemented by a study of the writings of private individuals who have investigated the subject, and particularly those of Miss Constance Smith (see *Crusade* for June, 1912), of Mr. J. J. Mallon (in the collection of lectures entitled "The Industrial Unrest and the Living Wage"; see review, p. 104 above), and of Mr. S. C. Moore (see THE ECONOMIC JOURNAL, September, 1913). Several points may be said to be established. It is clear that a legal minimum wage can be fixed without causing serious inconvenience either to employers or to workers in low-paid trades. It has appeared that it is impossible to help the lowest grade of sweated workers without incidentally also increasing by direct interference the wages of a slightly better, but still badly paid class. In fact, the Trade Boards have done as much for this class as for the lowest grade of sweated persons. They have, further, been of assistance to men as well as women, and they have directly or indirectly dealt with the question of the hours of labour and of the employment and training of juveniles. But we need information with regard to a number of other points. Is there any reason why the Trade Boards should not be given power, as in Australia, to deal directly and adequately with questions of hours, employment of juveniles, and conditions of labour generally? Is there any defence for the complete separation and estrangement of the Factory and Trade Board Departments especially in view of the fact that only the other day New South Wales, after overhauling its labour inspectorate, decided on a co-ordination of the two branches, which were previously separated much in the same way as in this country? Is not the existence of separate Trade Board "investigators" and factory inspectors an anomaly arising out of that *ad hoc* spirit which is at once the glory and the weakness of English social legislation? And, finally, is the Trade Board staff really adequate for its rapidly increasing work? Has the Treasury been perpetrating any unwise pieces of cheese-paring here? Obviously, these questions of staff do not constitute any valid argument against a reasonably rapid extension of the Trade Boards Act. And possibly a more adequate staff would

enable us to secure more substantial and informative reports on the working of the Act.

FREDERIC KEELING

OTHER OFFICIAL PAPERS.

Report from the Select Committee on Post Office Servants (Wages and Conditions of Employment). [H. of C. 268.] 1913. Price 2*s*. 4*d*.

THIS report is not a very informing document. It bears evident signs of either haste or carelessness in its preparation. Although it is possible with the exercise of patience to discover the rates of pay of any class of postal servants from its pages, there is no tabular summary (which is practically essential to enable anyone to secure an effective understanding of the problem), nor is information given with regard to earnings as opposed to rates of payment or wages, where the distinction is of importance (as, for instance, in the case of auxiliary and casual labour). The whole manner in which the controversy over this report has been conducted is exceedingly unsatisfactory, and must to some extent be attributed to the unscientific character of the report itself. The Post Office came out with the statement that the concessions involved an expenditure of a million (distributed over 240,000 workers). The unions replied that the Post Office had disingenuously concealed the fact that the complete million would not be required for some years, until the full effect of increased scales had made themselves felt. And so on, with endless controversy over details, which the character of the report made it exceedingly difficult to follow, the public being left to form a judgment mainly from its general prejudices and, according to its disposition to credit the general assertions either of the upper or of the lower grades of its servants.

There is no panacea for labour disputes, whether the employers are private enterprisers or the public. But it is difficult to exaggerate the importance of a clear statement and interpretation of the complicated issues which are often at stake. Yet it is noteworthy that in the case of two out of the three largest groups of strikes which have taken place in the last three years we knew less with regard to the wages of the employees than we do with regard to most classes of workers. The exclusion of mining from the Board of Trade Earnings and Hours Inquiry of 1906 seems to confirm the rumour that the mine-owners refused the information to the Board of Trade. No attempt apparently was made

to substitute for the ordinary lines of the inquiry, which were obviously inapplicable in the case of dock labourers, some other method of calculating their earnings—as, for instance, that adopted by the Hamburg Government during their great inquiry in 1896. Now, while we have been passing through a period of strikes and threatened strikes among public employees of both central and local authorities, it is somewhat disconcerting to find that there is less accessible and intelligible information about the wages of these workers than there is with regard to the engineering trades or agricultural labourers. Apparently it never occurred to the Select Committee, while they were going through their detailed quasi-judicial examination into the status of each class of Post Office employees, to ask the Department of Labour Statistics in the meantime to prepare an intelligible statement of the Post Office Wages Bill. This sort of thing cannot be done efficiently either by an ordinary Government department or by a Select Committee any more than it can by a private firm. The presentation of wages statistics is a science, which grows in its technicalities every year, and in which amateur methods are sometimes worse than useless. The Government might do worse than order the preparation of a triennial blue book by the Department of Labour Statistics with regard to the wages of all public employees. The notion that public employment should be "model" employment is fast gaining general recognition. It would be well to know how far the principle really is recognised.

There are some useful sections in the report other than those dealing with wages. It is satisfactory to learn that the Committee recommends that Post Office premises should be inspected by Factory Inspectors. Labour Exchange premises might with advantage be visited by the same authorities, not that one anticipates the discovery of very gross scandals in either class of public offices, but in order that an impartial authority may be constantly at work encouraging the maintenance of a model standard of sanitation. The Committee appear to have made no recommendation with regard to the scales of pay of casual workers, which were the subject of agitation in several districts last Christmas. Why should not the regularly employed charwomen receive the privileges of established officers? Security of tenure is relatively more important to the humble than to the great. One notes that the Committee recommends a lower scale for the payment of these women in London than is adopted by the London County Council, since *5d.* an hour is to be paid only after five years of service at *4½d.*

FREDERIC KEELING.

Royal Commission on the National Resources, Trade, and Legislation of certain portions of His Majesty's Dominions.

Minutes of Evidence taken in New Zealand in 1913. 1913. [Cd. 7170.] Price 2*s*.

Minutes of Evidence taken in Australia. Parts I. and II. 1913. [Cd. 7171, 7172.] Price 2*s*. 11*d*. + 3*s*.

Second Interim Report. 1914. [Cd. 7210.] Price 1*s*.

THIS Report deals with Australia and New Zealand—their General Trade Position, Migration, Oversea Communications, Railways and Finance, Natural Resources, Trade Questions, Legislation, Empire Development and Organisation.

To be reviewed.

Statistical Abstract for the several British Self-Governing Dominions, Crown Colonies, Possessions and Protectorates in each year from 1898 *to* 1912. 1913. [Cd. 7165.] Price 1*s*. 11*d*.

Reports from His Majesty's Representatives Abroad respecting Graduated Income Taxes in Foreign States. 1913. [Cd. 7100.] Price 1*s*. 7*d*.

To be reviewed.

Census of England and Wales, 1911. Vol. X. Occupations and Industries. Part II. 1913. [Cd. 7,019.] Price 6*s*. 3*d*.

THIS part comprises for Administrative Counties, County Boroughs, &c., a condensed list of occupations for males and females at fourteen periods of age. This is one of the most interesting and valuable of the Census Volumes, and several improvements seem to have been made since 1901.

CURRENT TOPICS

THE authorities of the Panama-Pacific International Exposition, to be held at San Francisco between February 20th and December 4th, 1915, have courteously invited the appointment of delegates by the Royal Economic Society, and offer a welcome to any members of the Society who may attend. Any members desirous of taking advantage of this invitation are requested to communicate with the Secretary at 9 Adelphi Terrace.

THE Annual Meeting of the Royal Economic Society will be held at 9 Adelphi Terrace, Strand, London, W.C., at 5.30 p.m.,

on Wednesday, March 18th. The following new Fellows of the Society were elected at the last meeting of the Council:—Sir J. M. Douie, Sir G. Paish, Sir W. Plender, Messrs. K. H. Adam, L. Alston, W. A. Bailward, P. Basu, P. A. Bernard, M. Briggs, Miss M. C. Buer, Messrs. E. Cadbury, A. M. Carr-Saunders, P. R. Chari, A. J. County, E. R. Cross, S. L. Dey, G. Fanstone, Moreton Frewen, E. V. Garrad, H. H. Ghosh, Miss Grier, Messrs. T. E. Gugenheim, H. Hainsworth, F. A. Howe, M. R. Sûndaram Iyer, S. C. Johnson, F. L. Jones, Miss M. C. D. Law, Messrs. W. J. Mason, W. H. Moreland, K. F. O'Hanlon, W. Piercy, R. L. Reiss, C. Rozenraad, R. S. Smirke, K. H. Strawbridge, C. P. Woodifield, L. S. Woolf.

THE attention of readers of the ECONOMIC JOURNAL is called to the new terms on which libraries of a public or semi-public character are now enabled to receive the JOURNAL and publications of the Royal Economic Society. Particulars, which have been already circulated to Fellows of the Society, can be obtained on application to the Secretary, 9 Adelphi Terrace, Strand, W.C.

RECENT PERIODICALS AND NEW BOOKS.

The Quarterly Review.

JANUARY, 1914. *The Vagaries of Modern Political Economy.* PROF. PIGOU replies to Prof. Nicholson's attack on *Wealth and Welfare*, and from Prof. Nicholson there is a brief rejoinder.

Edinburgh Review.

JANUARY, 1914. *Compulsory Settlement of Industrial Disputes.* W. G. CONSTABLE. *The Coming Land Tyranny.* HAROLD COX.

Contemporary Review.

FEBRUARY, 1914. *The Poverty of Production.* L. G. CHIOZZA MONEY. Based on the figures of the Census of Production. *The Land Policies of German Towns.* W. H. DAWSON.

The Political Quarterly.

FEBRUARY, 1914. This is the first number of what is described as a Journal of Contemporary Political Studies, primarily intended "to consider developments of political, social and economic policy in the United Kingdom." *The Financial Arrangements of the Home Rule Bill. The Dublin Labour Dispute.*

Economic Review.

JANUARY, 1914. *Studies in the Industrial Productivity of Man.* L. W. WILSDEN. Based on the Census of Production. *The Incidence of the Insurance Tax on British Agriculture.* A. W. ASHBY. *Further Notes on Some Fundamental Notions of Economics: Capital.* PROF. J. A. SMITH. Prof. Smith holds that "Capital is wealth in economic use." He concludes: "To clear up the mess made about Capital by economists who think they can proceed without logic, or with a merely extemporised logic, is a repulsive, but necessary business. Beginner as I am in the application to economics of the principles of logical science, I seem to myself to have made some advance in dispelling the clouds of confusion in which such economists have enwrapped the 'fundamental notion' of Capital."

Bankers' Magazine.

JANUARY, 1914. *Callable Capital in Banks.* SIR INGLIS PALGRAVE. A defence, against Viscount Goschen's criticism, of the policy of reducing or abolishing uncalled liability. *Stock Exchange Values for the Past Month and Year.* The average depreciation of all classes of securities during 1913 amounted to 5·2 per cent.

FEBRUARY, 1914. *Bank Rate Chart and Statistics.* A. H. GIBSON. The figures of Mr. Gibson's former investigations are brought up to date. The latest decennial average shows a higher bank-rate (3·735) than for any decade since 1865–74. *London Bankers' Clearings in* 1913.

Statistical Journal.

DECEMBER, 1913. *The Course of Real Wages in London,* 1900–12. FRANCES WOOD. A critical discussion of the Board of Trade figures, which have been checked by independent research. Another phase of the same inquiry was discussed in THE ECONOMIC JOURNAL for December, 1913. *The Fourteenth Session of the International Statistical Institute.*

JANUARY, 1914. *The Co-operative Insurance of Live-stock in England and Wales.* SIR JAMES WILSON. *Some material for a Study of Trade Fluctuations.* D. H. ROBERTSON. On the period of gestation of new capital, and the period of replacement of capital. *A New Illustration of Pareto's Law.* J. C. STAMP. An application to the statistics of higher incomes in the United Kingdom.

The Women's Industrial News.

JANUARY, 1914. *Government Contracts and the Disenfranchised Worker: A Study in the Brush-making Trade.* MRS. BERNARD DRAKE.

New Statesman (Supplements).

FEBRUARY 14, 1914. *Co-operative Production and Profit-sharing.* SIDNEY and BEATRICE WEBB. A short treatise in eleven chapters, historical and critical, on Associations of Producers.

FEBRUARY 21, 1914. *Women in Industry. Women's Wages.* MRS. F. W. HUBBACK. *Women in Trade Unionism.* MISS B. L. HUTCHINS. *The Legal Minimum Wage at Work.* J. J. MALLON.

Quarterly Journal of Economics (Harvard).

NOVEMBER, 1913. *The Tariff Act of* 1913. F. W. TAUSSIG. *The Administrative Provisions of the Revenue Act of* 1913. J. F. CURTIS. Deals with new provisions largely required by the great development of the *ad valorem* principle of taxation in the new tariff. *The Income Tax of* 1913. J. A. HILL. These three articles give an excellent conspectus of the recent changes in the United States' system of taxation. *Four Years more of Deposit Guaranty.* THORNTON COOKE. A study of the deposit guaranty laws of Oklahoma, Kansas, Texas, and Nebraska. *The Social Point of View in Economics.—I.* L. H. HANEY. A discussion of such questions as—What is Society? *The Kartell Movement in the German Potash Industry.* H. R. TOSDAL. *Industrial Bounties and Rewards by American States.* F. W. POWELL.

American Economic Review (Boston).

DECEMBER, 1913. *The Security Holdings of National Banks.* J. H. HOLLANDER. An analysis of the $1,000,000,000 worth of securities, other than United States bonds, held by the national banks. *Objections to a Compensated Dollar.* E. M. PATTERSON. *Amortisation.* A. D. CHANDLER. On the various principles which can govern sinking funds.

Political Science Quarterly (New York).

DECEMBER, 1913. *The Wisconsin Income Tax.* T. S. ADAMS. *Governmental Regulation of Securities Issues.* A. U. AYRES. Attempts are being made in certain American States to protect investors against unsound flotations. *The Field before the Commission on Industrial Relations.* PAUL U. KELLOGG. An Interstate Commission, appointed to investigate the field of relations between employer and employee, entered on its work in October, 1913.

Annals of American Academy (Philadelphia).

NOVEMBER, 1913. A series of articles on *Reducing the Cost of Food Distribution.*

JANUARY, 1914. A series of articles on *Housing and Town Planning.*

Journal of Political Economy (Chicago).

NOVEMBER, 1913. *The Truth about the I.W.W.* R. F. HOXIE. The Industrial Workers of the World are far from being the grim and powerful organisation which is often depicted. *Money and Prices.—II.* J. D. MAGEE. A statistical study, with special reference to Chicago and the United States, continued from the October number. *The Indian Gold Absorption.* WILLIAM F. SPALDING.

DECEMBER, 1913. *Uniform Methods of Railway Accounting.* FRANK NAY. *Workmen's Compensation in the United States: A Review.* E. H. DOWNEY.

JANUARY, 1914. *The Tariff of* 1913.—*I.* H. PARKER WILLIS.

Bulletin of U.S. Bureau of Labour Statistics.

NO. 117. *Prohibition of Night Work of Young Persons.*

NO. 118. *Ten-hour Maximum Working-day for Women and Young Persons.*

NO. 127. *Dangers to Workers from Dusts and Fumes, and Methods of Protection.* Numerous illustrations.

NO. 134. *Wages and Hours of Labour in the Boot and Shoe and Hosiery and Knit Goods Industries:* 1890 *to* 1912.

NO. 135. *Wages and Hours of Labour in the Cigar and Clothing Industries,* 1911 *and* 1912.

NO. 136. *Retail Prices,* 1890 *to August,* 1913.

Revue d'Économie Politique (Paris).

NOVEMBER–DECEMBER, 1913. *L'alimentation populaire à Paris.* FEILBOGEN. *Intervention légale et contrat collectif du travail.* G. PIROU. *Brisbane, Esquisse du développement d'une capitale coloniale dans l'Empire Britannique.* C. SCHINDLER.

JANUARY–FEBRUARY, 1914. *La Notion de Valeur.* C. BODIN. *La répartition de la propriété rurale en Autriche.* R. GONNARD. *Quel est l'avenir des industries rurales à domicile.* G. OLPHE-GALLIARD.

Journal des Économistes (Paris).

DECEMBER, 1913. *Quelques effets du protectionnisme agraire en Hongrie.* SIMON ABERDAM. *Les Trusts de navigation transatlantique.* MAX HOCHSCHILLER.

JANUARY, 1914. *Le Marché financier en* 1913. ARTHUR RAFFALOVICH.

FEBRUARY, 1914. *L'évolution et les régressions fiscales.* YVES GUYOT.

Revue Économique Internationale (Brussels).

NOVEMBER, 1913. *Le taux privé de l'escompte et le cours du change.* MAURICE ANSIAUX. The relation of Central Banks to the rest of the Money Market. *Le Problème de la propriété paysanne en Égypte et la récente loi d'insaisissabilité.* LÉON POLIER. Deals with Lord Kitchener's "Five Feddan Law." *L'Association du Capital et du Travail par l'actionnariat ouvrier.* R. DE BRIEY. Co-operative Production, Port Sunlight, the Gas Companies, &c. *Les effets de la réduction légale de la journée de travail dans les mines en Belgique.* G. DE LEENER.

DECEMBER, 1913. *Des conditions dans lesquelles se présente actuellement le crédit des États Balkaniques.* H. PHILOUZE.

JANUARY, 1914. *Le mouvement ouvrier et la réforme sociale en Angleterre.* E. VON PHILIPPOVITCH. "On peut dire qu'il n'existe pas en Angleterre de parti ouvrier démocratique social important, mais tous les ouvriers organisés ont trempé leurs armes à la flamme de l'idée socialiste lorsqu'ils ont lutté contre les patrons." *Le "coin des grains" à Anvers.* P. VAN HISSENHOVEN. *Les Chemins de fer suisses.* G. GARIEL. *La Banque de Russie.* B. S. CHLEPNER.

Archiv für Sozialwissenschaft und Sozialpolitik (Tübingen).

NOVEMBER, 1913. *August Bebel.* R. MICHELS. *Die Agrarfrage in Russland seit* 1905. N. OGANOWSKY. *Methodologisches zu den Problemen des Wertes und des wirtschaftlichen Prinzips.* E. HEIMANN. *Ueber das Verhältnis von Arbeitszeit und geistiger Aufnahmefähigkeit der Arbeiter.* W. KOCHMANN. *Der Soziale Gedanke Kropotkins.* L. FABBRI.

JANUARY, 1914. *Ueber den Subjektivismus in der Preislehre.* O. v. ZWIEDINECK. *Ueber einige in der Natur des Beobachtungsobjekts liegende Schwierigkeiten des volkswirtschaftlichen Forschens.* LUJO BRENTANO. *Die italienische Mutterversicherung und ihre Bedeutung.* G. MICHELS-LINDNER.

Schmoller's Jahrbuch (Munich).

PART 1, 1914. *Die soziale Bewegung Englands von* 1770–1912 *im Lichte der Marxistischen Klassenkampfsideen.* GUSTAV SCHMOLLER. With special reference to Beer's recent "Geschichte des Sozialismus in England." *Hochschulbildung für Unternehmer.* K. THIESS. *Prinzipielles zur Erforschung der Teuerung.* W. EGGENSCHWYLER. On the theory of money, partly critical of

Fisher. *Das Stille Meer.* PAUL DEHN. The Panama Canal and the Pacific. *Zum Stande der niederländischen Arbeiterbewegung.* C. VAN MANEN. *Lohngestaltung auf dem Lande im Zusammenhange mit agrarischen Entwicklungen.* ANNA NEUMANN.

Annalen für Soziale Politik und Gesetzgebung (Berlin).

VOL. III., PARTS 3 AND 4, 1914. *Die Reichsfinanzgesetzgebung von 1913.* W. GERLOFF. *Rundschau über das Versicherungswesen.* A. GÜNTHER.

Zeitschrift für Volkswirtschaft, Sozialpolitik und Verwaltung (Vienna).

PART VI., 1913. *Das gesetzliche Lohnminimum in England.* (44 pp.) WERNER PICHT. Deals with the Trade Boards Act, 1909, and the Coal Mines (Minimum Wage) Act, 1912. *Die Verschiebung des wirtschaftlichen Kräftverhältnisses zwischen England und Deutschland.* KARL UHLIG. *Die erste Lassallebewegung in Österreich.* JULIUS BUNZEL.

Giornale degli Economisti (Rome).

NOVEMBER, 1913. *La riforma delle pensioni civili e militari.* L. AMOROSO. *L'emigrazione in Siberia.* JENNY GRIZIOTTI-KRETCHMANN. *Banche popolari.* L. TUCCARI.

DECEMBER, 1913. *Le riforma delle pensioni civili e militari.* A. BENEDUCE. *La ferrovia di Adalia.* U. DI BENEDETTI. *La riforma doganale Nord-Americana.* A. CARONANI.

JANUARY, 1914. *L'uomo medio.* C. GINI. An appreciation of Quetelet's leading conception, *Il principio mutualistico nelle assicurazioni.* A. BENEDUCE. On the principle of insurance underlying co-operation. *Sulla perequazione mediante curve unimodali semplici.* F. INSOLERA. Criticising the method by which Prof. Karl Pearson ascertains the constants pertaining to his scheme of Frequency groups, the writer proposes a new system of equations involving the *fifth* "moment." *Nuove ricerche sulla mortalità italiana.* G. MORTARI. A lucid summary of the diminution in mortality shown by the returns of 1901–10, compared with earlier periods.

La Riforma Sociale (Turin).

DECEMBER, 1913. *La logica Protezionista.* L. EINAUDI. A vigorous polemic.

JANUARY–FEBRUARY, 1914. *La Serrata degli avvelenatori.* G. PRATO. Restrictions on the sale of liquor in Italy are discussed in the light of the regulations in other countries.

Rivista Critica di Scienze Sociali (Florence).

JANUARY, 1914. *La legge-ipotesi fondamentale della scienza finanziaria.* R. A. MURRAY. *La teoria delle crisi.* M. ALBERTI.

De Economist (The Hague).

JANUARY, 1914. *Minimum-loonbeweging.* J. A. LEVY. Continued in February.

NEW BOOKS.

English

BALLEN (DOROTHY). Bibliography of Road-making and Roads in the United Kingdom. London: P. S. King. 1914. Pp. xviii+281. 15*s*. net.

[With an introduction by Sir George Gibb. A useful and laborious work, described by the compiler as "a revised and considerably enlarged edition" of the Bibliography compiled by Mr. and Mrs. Webb in 1906.]

BARBOUR (SIR DAVID). The Influence of the Gold Supply on Prices and Profits. London: Macmillan. 1913. Pp. xii+104. 3*s*. 6*d*. net.

[To be reviewed.]

BEST (R. H.) and OGDEN (C. K.). The Problem of the Continuation School and its Successful Solution in Germany. London: P. S. King. 1914. Pp. 80. 1*s*. net.

[With an introduction by Dr. Georg Kerschensteiner and numerous illustrations.]

BOOTH (CHARLES). Industrial Unrest and Trade Union Policy. London: Macmillan. 1913. Pp. 32. Library Edition, 1*s*.; Popular Edition, 2*d*.

[In this pamphlet Mr. Charles Booth argues that Trade Unions, however great their social and political success, have failed to fulfil their high economic expectations. He suggests to them an extended policy of "fair house" discrimination between one employer and another. There would be non-interference by unions with the action of accepted employs, which should be at least one-third (say) of the total, and a concentration of collective bargaining and Trade Union action on the not accepted. Reviewed above.]

CANNAN (EDWIN). Wealth: A Brief Explanation of the Causes of Economic Welfare. London: P. S. King. 1914. Pp. xxiii+274. 3*s*. 6*d*. net.

["It is hoped that this work may be found useful by academic teachers and students, as well as by readers who wish to improve their capacity for dealing with practical economic problems without attendance at lectures and classes. It has been evolved gradually out of the annual course of lectures which the author has given for first-year students at the London School of Economics." To be reviewed.]

CARR (COMYNS), GARNETT (STUART), and TAYLOR (J. H.). National Insurance. Fourth Edition. London: Macmillan. 1913. Pp. xliii +1284. 15*s*. net.

[This very valuable work of reference, having reached a fourth edition, has been brought up to date with reference to the Amending Act of 1913, and to the great mass of orders, regulations, and decisions which have been issued administratively. The principal official documents are given in appendices. The great bulk of these has necessitated the omission of the introductory descriptive chapters. The publishers are to be congratulated on producing a volume of over 1,300 pages which, on account of the use of very satisfactory paper, is neither heavy nor unwieldy.]

CARTER (G. R.). The Tendency towards Industrial Combination. London: Constable. 1913. Pp. xxiii+391. 6*s*. net.

["A study of the modern movements towards industrial combination in some spheres of British industry; its forms and developments, their causes, and their determinant circumstances." To be reviewed.]

CASTBERG (P. H.). Production: A Study in Economics. London: George Allen. 1914. Pp. xvi + 382. 5*s*. net.

[A new and cheaper edition of a work originally published in 1907. To be reviewed.]

Channel Tunnel: Full Details of the Present Scheme—Military, Engineering, Financial. Channel Tunnel Company. 1913. Pp. 136.

[A synopsis of various materials relating to this project,—parliamentary speeches, articles by military authorities, etc. etc.]

CHAPMAN (S. J.). Outlines of Political Economy. Second Edition. London: Longmans. 1913. Pp. xvi + 413. 3*s*. 6*d*. net.

[Beyond the removal of some ambiguities and obscurities, this edition is not substantially different from the first which was reviewed in the ECONOMIC JOURNAL, vol. xxii, p. 71.]

COLE (G. D. H.). The World of Labour: A Discussion of the Present and Future of Trade Unionism. London: G. Bell. 1913. Pp. vii + 443. 5*s*. net.

[With frontispiece by Will Dyson. Reviewed above.]

DALE (BERNARD). The Effect of Taxes on Foodstuffs. London: Effingham Wilson. 1914. Pp. xv + 64. 2*s*. net.

["A tax may be imposed on a portion of the supply finding sale without increasing the price of the whole supply, provided it is imposed on that portion of the supply which is produced under the most favourable circumstances and does not exceed in amount the value of the differential advantage possessed by the owner of that portion." This rule has been overlooked by "the fourteen professors" as well as by leading politicians. The author appears to assume that the taxed source of supply has no other possible market except the taxing country.]

HEATON (HERBERT). The Letter Books of Joseph Holroyd (cloth-factor) and Sam Hill (clothier). Halifax: F. King and Sons. 1914. Pp. 41. 2*s*.

["Documents illustrating the Organisation of the Yorkshire Textile Industry in the early 18th century," published by the Bankfield Museum, Halifax. To be reviewed.]

JOHNSON (S. C.). A History of Emigration from the United Kingdom to North America, 1763–1912. London: Routledge. 1913. Pp. xvi + 387. 6*s*. net.

[A thesis for the degree of Doctor of Science (Econ.) in the University of London.]

JONES (ROBERT). The Nature and First Principles of Taxation. With a Preface by Sidney Webb. London: P. S. King. 1914. Pp. xvii + 299. 7*s*. 6*d*. net.

[The author devotes the greater part of his space to an historical account, with numerous citations, of the development of ideas about taxation. To be reviewed.]

KIRKUP (THOMAS). A History of Socialism. Fifth edition, revised and largely rewritten by Edward R. Pease. London: A. and C. Black. 1913. Pp. xi + 490. 5*s*. net.

[The first edition of the late Mr. Kirkup's History was published in 1892, and reviewed in the ECONOMIC JOURNAL, Vol. iii, p. 108. The present edition has been rewritten by the Secretary of the Fabian Society. To be reviewed.]

LAWSON (W. R.) British Railways: A Financial and Commercial Survey. London: Constable. 1913. Pp. xxxii + 320. 6*s*. net.

[To be reviewed.]

LORIA (ACHILLE). The Economic Synthesis: A Study of the Laws of Income. London: George Allen. 1914. Pp. xii+368. 10s. 6d. net.

[Translated from the Italian by M. Eden Paul, and somewhat abridged. The Italian edition was reviewed in the ECONOMIC JOURNAL, Vol. xix, p. 280.]

MALLET (BERNARD). British Budgets, 1887–88 to 1912–13. London: Macmillan. 1913. Pp. xxiv+511. 12s. net.

[Reviewed above.]

MARKS (T. E.). The Land and the Commonwealth. London: P. S. King. 1913. Pp. xxv+314. 5s. net.

[With reference to current proposals for Land Reform. To be reviewed.]

MÜNSTERBERG (HUGO). Psychology and Industrial Efficiency. London: Constable. 1913. Pp. 321. 6s. net.

[To be reviewed.]

OXFORD (THE BISHOP OF), with an Introduction by. Property: Its Duties and Rights historically, philosophically, and religiously regarded: Essays by various writers. London: Macmillan. 1913. Pp. xx+198. 5s. net.

[To be reviewed.]

PIGOU (A. C.). Unemployment. London: Williams & Norgate. 1914. Pp. 256. 1s. net.

[In the *Home University Library*. To be reviewed.]

REEVES (MRS. PEMBER). Round about a Pound a Week. London: G. Bell. 1913. Pp. viii+231. 2s. 6d. net.

[Reviewed above.]

REW (R. H.). An Agricultural Faggot: a Collection of Papers on Agricultural Subjects. London: P. S. King. 1913. Pp. xi+187. 5s. net.

["The subjects dealt with relate to the History and Economics of British Agriculture." To be reviewed.]

SMITH (CHARLES WILLIAM). "The World and its Natural Products cornered": the greatest of all crimes of all centuries. London: P. S. King. 1913. Pp. iv+14. 1s. net.

[A pamphlet directed against all forms of speculation.]

WACHA (D. E.). Indian Currency Commission. Bombay: Bombay Chronicle Press. 1913. Pp. 112.

["A review of the principal evidence recorded during the first session," reprinted from the *Bombay Chronicle*.]

WILLIAMS (R.). The First Year's Working of the Liverpool Docks Scheme. London: P. S. King. 1914. Pp. 192. 2s. 6d. net.

[Published under the auspices of the *Liverpool Economic and Statistical Society*. The author is Divisional Officer for the North-Western Division of Labour Exchange. To be reviewed.]

American.

BRACE (HARRISON H.). The Value of Organised Speculation. Boston: Houghton Mifflin. 1913. Pp. xiii+290. $1·50.

[A Hart, Schaffner, and Marx Prize Essay. To be reviewed.]

BROOKS (JOHN GRAHAM). American Syndicalism: The I.W.W. New York: Macmillan Company. Pp. 264. 5s. 6d. net.

[Based on lectures given at the University of California in 1911. To be reviewed.]

COMMONS (JOHN R.). Labour and Administration. New York: Macmillan Company. 1913. Pp. ix+431. 7s. net.

[With reference to the United States. To be reviewed.]

DAVENPORT (HERBERT JOSEPH). The Economics of Enterprise. New York: Macmillan Company. 1913. Pp. xvi+544. 10s. net.

[To be reviewed.]

FAIRCHILD (HENRY PRATT). Immigration: A World Movement and its American Significance. New York: Macmillan Company. 1913. Pp. 455. 7s. 6d. net.

[To be reviewed.]

FISHER (IRVING). The Purchasing Power of Money. Second Edition. New York: Macmillan Company. 1913. Pp. xxiv+502.

[Professor Fisher has taken advantage of the appearance of a new edition to bring some of the figures up to date, and to add an appendix on "standardizing the dollar." There are no other substantial changes. The first edition was reviewed in the ECONOMIC JOURNAL for September, 1911.]

GEPHART (W. F.). Insurance and the State. New York: Macmillan Company. 1913. Pp. xiii+228. 5s. 6d. net.

[What forms of insurance, if any, should the State monopolise? To be reviewed.]

MAGEE (JAMES DYSART). Money and Prices: A Statistical Study of Price Movements. Chicago. 1913. Pp. 89.

[A doctoral thesis in the University of Chicago, reprinted from the *Journal of Political Economy*.]

MARSHALL (L. C.), WRIGHT (C. W.), and FIELD (J. A.). Materials for the Study of Elementary Economics. Chicago: University of Chicago Press. London: Cambridge University Press. 1913. Pp. xvii+927. 12s. net.

[This is a vast compilation of passages, each of a few pages in length, selected from a great variety of economic writers and authorities, by members of the Department of Political Economy at Chicago. It is intended to be used by students in conjunction with a systematic text-book. To be reviewed.]

RICHMOND (MARY E.) and HALL (FRED. S.). A Study of nine hundred and eighty-five widows known to certain Charity Organisation Societies in 1910. New York: Russell Sage Foundation. 1913. Pp. 83.

SULLIVAN (J. W.). Markets for the People: The Consumer's Part. New York: Macmillan Company. 1913. Pp. viii+316.

["The subject of this book is the various commercial channels between the producer and consumer of foodstuffs." To be reviewed.]

TAYLOR (W. G. LANGWORTHY). The Credit System. New York: Macmillan Company. 1913. Pp. x+417. 10s. net.

[To be reviewed.]

USHER (A. P.). The History of the Grain Trade in France, 1400–1710. Cambridge (U.S.A.): Harvard University Press. 1913. Pp. xv+405. $2.

[*Harvard Economic Studies*, Vol. ix.]

ZIZEK (FRANZ). Statistical Averages: A Methodological Study. New York: Holt. 1913. Pp. ix+392. $2·50 net.

[Authorised Translation of *Die Statistischen Mittelwerte* with additional Notes and References by Prof. W. M. Persons. To be reviewed.]

French.

BELLOM (MAURICE). La Statistique Internationale de l'Assurance contre l'Invalidité. Paris: Dunod & Pinat. 1913. Pp. 47.

[A report laid before the International Statistical Institute at its session in Vienna, 1913.]

BELLOM (MAURICE). La Prévoyance légale en faveur des employés. Paris: G. & M. Ravisse. 1913. Pp. 108.

[Based on the practical experience of Germany and Austria.]

BOUCHÉ (B.) Les ouvriers agricoles en Belgique. Brussels: Misch & Thron. 1913. Pp. viii + 265.

[A publication of the *Institut Solvay.*]

GUYOT (YVES). L'Industrie et les Industriels. Paris: O. Doin. 1914. Pp. xxviii + 356. Fr. 5.

KAUFMANN (E.). La Banque en France—considérée principalement au point de vue des trois grandes Banques de Dépôts. Paris: Giard & Brière. 1914. Pp. vii + 503. Fr. 14.

[Translated from the German and brought up to date by A. S. Sacker. The original German edition of this study of the Crédit Lyonnais, the Société Générale and the Comptoir National met with much approval. To be reviewed.]

LEROY-BEAULIEU (PAUL). La Question de la Population. Paris: Alcan. 1913. Pp. iv + 512. Fr. 3.50.

LESCURE (JEAN). L'Épargne en France. Paris: Recueil Sirey. 1914. Pp. viii + 114. Fr. 2·50.

[Orginally written for the *Verein für Sozialpolitik.*]

MALEGNE (J.). Une forme spéciale de chômage. Le travail casuel dans les ports anglais. Paris: Rousseau. 1913. Pp. 220. Fr. 8.

MARTIN (G.). L'histoire du crédit en France sous le règne de Louis XIV. Vol. I. Le crédit public. Paris: Larose & Tenin. 1913.

NOGARO (BERTRAND). Éléments d'Économie politique. Répartition, Consommation, Doctrines. Paris: Giard & Brière. 1914. Pp. 291. Fr. 4.

[This is the second and concluding volume of a small text-book.]

NOGARO (B.) and OUALID (W.). L'Évolution du Commerce, du Crédit et des Transports depuis cent cinquante ans. Paris: Alcan. 1914. Pp. 444.

[An elementary economic history in the *Histoire Universelle du Travail* series. M. Oualid has dealt with commerce and transport, M. Nogaro with money and credit. To be reviewed.]

OSORIO (ANTONIO). Théorie mathématique de l'Échange. With an Introduction by Vilfredo Pareto. Paris: Giard & Brière. 1913. Pp. xviii + 395. Fr. 10.

[Translated from the Portuguese. The first of a series of studies dealing with the application of mathematics to pure Economics. This volume deals with equilibrium in exchange. To be reviewed.]

ROUSSIN (HENRI). William Godwin (1756–1836). Paris: Librairie Plon. 1913. Pp. vii + 33. Fr. 7·50.

[A doctoral thesis.]

WORMS (RENÉ). Les Associations agricoles. Paris: Giard & Brière. 1914. Pp. 230. Fr. 3.

[A brief study in the *Petite Encyclopédie sociale.*]

ZAWADSKI (WL.). Les Mathématiques appliquées à l'Économie Politique. Paris: Rivière. 1914. Pp. 331. Fr. 8.

[A discussion of the conditions in which the application of mathematical methods to Economics is possible and of the degree to which it has actually proved useful. To be reviewed.]

German.

BORGIUS (WALTHER). Zollpolitisches A.B.C. Buch. Munich: Duncker & Humblot. 1913. Pp. vii + 125. M. 2.

[A very small text-book.]

CALWER (RICHARD). Das Wirtschaftsjahr 1907: Jahresberichte über den Wirtschafts- und Arbeitsmarkt. Zweiter Teil: Jahrbuch der Weltwirtschaft, 1907. Jena: Gustav Fischer. 1913. Pp. 365. M. 17.

CALWER (RICHARD). Das Wirtschaftsjahr 1911. Erster Teil: Handel und Wandel 1911. Jena: Gustav Fischer. 1913. Pp. vii + 332. M. 15.

EHRLICH (EUGEN). Grundlegung der Soziologie des Rechts. Munich: Duncker & Humblot. 1913. Pp. 409. M. 10.

GUTMANN (F.). Das französische Geldwesen im Kriege 1870–1878. Strassburg: Trübner. 1913. Pp. xii + 525. M. 12.

HOBSON (J. A.). Die Furcht vor Deutschland. Munich: Oldenbourg. 1913. Pp. 28. M. 0·50.

["The German Panic" translated with an introduction by Lord Loreburn for the *Flugschriften des Deutsch-Englischen Verständigungskomitees.*]

KAUFMANN (A.). Vergleichende Untersuchungen über den Schutz der Arbeiter und Angestellten der Badischen Staatseisenbahnen und der Schweizerischen Bundesbahnen. Munich: Duncker & Humblot. 1914. Pp. vii + 158. M. 6·80.

[*Staats- und socialwissenschaftliche Forschungen*, 175. With numerous diagrams.]

PERLMANN (L.). Die Bewegung der Weizenpreise und ihre Ursachen. Munich: Duncker & Humblot. 1914. Pp. 73. M. 2.

[*Schriften des Vereins für Sozialpolitik*, 139.]

PÖLLER (RICHARD). Die Gefahren des Bergbaus und die Grubenkontrolle im Ruhrrevier. Munich: Duncker & Humblot. 1914. Pp. viii + 145. M. 4.

SIEPER (ERNST). Die wirtschaftliche Rivalität zwischen Deutschland und England. Munich: Oldenbourg. 1914. Pp. 21. M. 0·50.

[*Flugschriften des Deutsch-Englischen Verständigungskomitees.*]

SOMBART (WERNER). Der Bourgeois: zur Geistesgeschichte des modernen Wirtschaftsmenschen. Munich: Duncker & Humblot. 1913. Pp. vii + 540. M. 12.

[A further contribution to Sombart's monumental studies on the rise and meaning of Capitalism. To be reviewed.]

SPANUTH (J.). Britisch-Kaffraria und seine deutschen Siedlungen. Munich: Duncker & Humblot. 1914. Pp. 82. M. 2·50.

[*Schriften des Vereins für Sozialpolitik*, 147.

WAGEMANN (ERNST). Die Wirtschaftsverfassung der Republik Chile: zur Entwicklungsgeschichte der Geldwirtschaft und der Papierwährung. Munich: Duncker & Humblot. 1913. Pp. vii+253. M. 6.

[The economic history of Chile since 1810, with a valuable bibliography.]

Italian.

CASSORTA (CARLO). La conzumazione et la distribuzione della ricchezza. Perugia. 1914.

COZZI (CANZIO). Gli indirizzi della politica commerciale italiana Milan. 1914.

LUZZATTI (GIACOMO). Valori e prezzi. Padua: Drueke. 1914.

RICCI (UMBERTO). Reddito e Imposta. Rome: Athenæum. 1914. Pp. 79. L. 2.

SUPINO (CAMILLO). Principi di Economia Politica. Riveduta ed ampliata. Naples: L. Pierro. 1914. Pp. x+597. L. 6.

[The fourth edition of this manual.]

THE ECONOMIC JOURNAL

JUNE, 1914

THE LABOUR MOVEMENT AND THE STRIKE OF 1913 IN NEW ZEALAND.

I. *Labour in Politics.*

NEW ZEALAND has recently witnessed an attempt at a general strike which should be of interest to students who desire to see modern labour theories put into practice. Before entering into a detailed account of the revolt of a section of the workers of New Zealand, we shall give an outline of the most important changes in the condition of labour during the last thirty years, so that readers may be in a better position to grasp the course and the significance of events during the strike.

In common with many countries, New Zealand was in a state of industrial depression during the period 1879–95. The reckless expenditure of the 'seventies intensified the economic conditions which were being established by general causes: times were hard for all, especially for the workers. From August to November, 1890, there occurred the great maritime strike—a strike which began in Australia and soon spread to New Zealand.[1] At the general election of December, 1890, when the conservative government was defeated and a liberal government was returned, the labour vote was in evidence. The English dockers' strike had given a fillip to colonial trade unionism. The failure of the Australasian maritime strike sent the New Zealand trade unionists to the ballot-box with the object of redressing the balance by political means; but this was not the sole cause of their taking to politics. For some time politicians of both the established parties had been aware that labour organisations were coming into the field. The question was what they would do.

[1] See the ECONOMIC JOURNAL, vol. i, pp. 10–20, and vol. ii, pp. 425–41.

In Ballance and his colleagues of 1890, the unionists found a well-organised political party from which they had much to expect. With it they accordingly threw in their lot, and they made no attempt to form a distinct labour group. Under this liberal-labour government the general condition of the workers began gradually to improve, but not altogether, nor perhaps chiefly, through political action. In the early 'nineties the labour movement made little headway; but during Seddon's premiership, 1893 to 1906, much legislation beneficial to the workers was passed, and the working conditions of the New Zealand unionists were so raised that they became at least as good as those of any other civilised country. It must be borne in mind, however, that the improvement in the conditions of labour was due to economic rather than to political causes; the latter were secondary and conditional rather than originating factors. In 1882 the introduction of the frozen meat industry promised to revolutionise both agriculture and grazing, and the promise was gradually fulfilled. The demand from the British markets for the new commodity grew apace, and, whereas in 1882 the value of this export was £19,339, by 1890 it had exceeded £1,000,000. Refrigeration has undoubtedly done more for the small farmer than all the legislation of the last twenty years put together; and the well-being of the farmer is reflected in that of all workers. Psychological causes were also at work, for the world-wide feeling of hopefulness and confidence engendered during the middle 'nineties swept over New Zealand also. The dawn of the twentieth century revealed the Dominion in the enjoyment of industrial progress and peace.

The liberal government, which had carried all elections since 1890, did not move fast enough for the more radical class of workers, and in 1904 an Independent Political Labour League was formed. This new party made a poor showing at the 1905 polls. None of its twelve candidates was successful; in all they secured only 4,000 votes. At the 1908 elections the party was viewed a little more favourably. One candidate was successful, and the votes cast for labour were increased to 25,000. The Political Labour League died a natural death; but the party spirit did not diminish. In 1910 fresh energy was thrown into the labour movement, and it was again decided to contest the next election independently. Four candidates proved to be successful; 50,000 votes were given in favour of the party. In 1911, the year of the general election, the proposal was made that a party should be formed to include all labour *political* organisations.

For some years the Federation of Labour, a somewhat revolutionary body composed mostly of miners and waterside workers, had been in existence; but it was almost wholly a labour *industrial* organisation. Its watchword was the "abolition of the wage system." By organising industrially, it hoped to form the structure of the new society within the shell of the old. It used the strike for purposes of aggression and of defence. The preamble to its constitution, which was almost the same as that of the Industrial Workers of the World, began—"the working class and the employing class have nothing in common." The chief policy planks of the Federation were:—

1. "To secure employment of our members in preference to non-unionists; to maintain a spirit of fraternal sympathy with the workers of this and other countries by assisting them when necessary."

2. "To use our united efforts to discourage the contract labour and bonus systems, and as soon as possible to abolish these, believing the said systems to be detrimental to the best interests of organised labour."

3. "To enable and provide for the Federation to own, publish, and control a newspaper or newspapers."

4. "To ensure to members who are proved to have been unjustly treated the support of the Federation."

At the Unity Conference at Easter, 1912, the United Labour Party was definitely formed. Provision was made for the combination in this of all trade unions, trades councils, socialistic federations, &c. Amongst the objects of this new body were:—

1. To consolidate the political power of the workers in their own behalf, and to use their whole power (both political and economic) in negotiations with employers, in the courts, in municipal, county, and Parliamentary bodies, in international relations, and (if need be) in industrial revolt.

2. To use the fruits of every partial victory, to strengthen and continue this work until the power to oppress and exploit any of the workers, either by private monopolies controlling the Government, or through the private monopoly ownership and control of industry, shall utterly disappear, and there shall be secured for all the people power to purchase with their income the total products of their labour—until, in short, the means of production, distribution, and exchange (in so far as they constitute in private hands instruments of oppression and exploitation) shall be socially owned and operated without profit and for the common good of all.

This party strove to settle industrial disputes chiefly by methods of conciliation and arbitration. It used the strike only as a means of defence and as a last resort. The Federation of Labour refused to recognise the United Labour Party, with the result that much bitterness arose between the two rival organisations.

II. *Trade Unions and the Law.*

Before the next step can be properly appreciated, we must glance at two Acts in operation in New Zealand for the organisation of labour and the regulation of labour disputes—the Industrial Conciliation and Arbitration Act and the Trade-Unions Act. The maritime strike of 1890 so impressed the general public that they were prepared to listen to suggestions for the prevention of such evils. The workers, defeated in the great struggle, suggested compulsory arbitration, in the hope that the Government would do for them what they were unable to do for themselves. Under the guidance of Mr. W. Pember Reeves, a compulsory arbitration law was placed on the statute book in 1894. In the title and preamble, the Act was described as an Act to encourage the formation of industrial unions and associations, and to facilitate the settlement of industrial disputes by conciliation and arbitration. Mr. Reeves, in discussing the Act later, said: "What the Act was primarily passed to do was to put an end to the larger and more dangerous class of strikes and lockouts. The second object of the Act's framer was to set up tribunals to regulate the conditions of labour." At the time of its passing, the Act was regarded as a piece of experimental legislation, and many amendments have been made to it, as changing conditions have demanded. In 1908 the existing enactments were consolidated into the Industrial Conciliation and Arbitration Act, which has been amended in 1908, 1910, 1911, and 1913. The Act makes provision for, and states the conditions to be regarded in the registration of, industrial unions and associations. The number of persons necessary to register an industrial association must not be fewer than three in the case of employers, and fifteen in the case of workers. Registration enables a union or association: (1) To enter into and file an industrial agreement, specifying the conditions of employment agreed upon; and (2) in the event of failure to arrive at an industrial agreement, to bring an industrial dispute before a Council of Conciliation set up for the purpose, and, if necessary, before the Court of Arbitration.

After dividing the Dominion into eight industrial districts, the Act provides for the appointment of not more than four Conciliation Commissioners to hold office for three years; three have been appointed, and each of the industrial districts is placed under the jurisdiction of one of them. Councils of Conciliation are set up for each dispute as it arises. The originating union, association, or employer makes application to the Commissioner, stating the nature of the dispute and the name of the respondents, and recommending one, two, or three assessors to act as representatives on the Council. The Commissioner notifies the respondents, and calls upon them to recommend an equal number of assessors to represent them. The assessors must, except in special cases at the discretion of the Commissioner, have been engaged in the industry in question.

Disputes may be taken to the Arbitration Court direct or after failure to come to an agreement in the Conciliation Council. The Court of Arbitration is a court for the whole Dominion. It consists of three members: a judge of the court, who has the status of a judge of the Supreme Court of the Dominion; an assessor chosen by the industrial unions of the employers; and an assessor recommended by the industrial unions of the workers. They are all appointed by the Governor, and hold office for three years. The assessors are naturally inclined to be partisan in their decisions, so that the real power is in the hands of the judge. The awards of the Arbitration Court are binding on the individual employer and worker as well as on the respective unions, and heavy fines may be inflicted for the breach of an award. It follows, then, that, so long as a union is registered under this Act, its right to strike is forfeited; but, on giving the requisite notice, a union can cancel its registration.

It is worth noting that, in the early days of its operation, the Arbitration Act was bitterly opposed by the employers. Owing to the disclosures of the Sweating Commission of 1890, it was generally expected that labour must be benefited by the new piece of legislation. For years the employers were so penalised that the decisions of the Boards and of the Courts appeared to be all one-sided. The unions revelled in the discomfiture to capital. It must be remembered, however, that the rise in wages was not due solely to the Act, because from about 1895 a wave of prosperity began to spread over all the world.

Dr. McIlraith's index numbers (base period 1890–99 = 100) show that the general level of prices in New Zealand rose from 93 in 1895 to 101 in 1900, and fell to 98 in 1905; rose to 103 in

1910, and to 111 in 1912. Mr. Sauerbeck's index numbers for the same years are 62, 75, 72, 78, and 85.

The hostility of the employers, however, gradually diminished, owing chiefly to the firm and impartial administration of the Act by the Court, to the unscrupulous employers being made to employ labour on the same conditions as the better class of employers, to the awards usually freeing them from fear of labour unrest for a definite period, thus enabling them to enter into contracts with a greater degree of confidence, and to the continued upward movement of the level of general prices. The principle of industrial arbitration appeared to have taken deep root, although it was not applied to the chief industries of the country. When from 1906 the unions found that the Act could no longer be employed as an instrument for getting a marked increase in wages, because the Court was of the opinion that the remuneration to workers was as high as the economic conditions of the time would allow, they began to rebel against it. From 1894 to 1905 there were no strikes of any consequence, but between 1905 and March 31st, 1913, there were no fewer than ninety-eight. Of these, thirty-five came within, and sixty-three without, the scope of the Act. The more radical among the workers now regard the Arbitration Act as an instrument of capitalism in keeping the working class in subjection; they would abolish the Act, and inaugurate a period of industrial warfare as a prelude to the social revolution, which aims at overthrowing the capitalist system, and at bringing about a co-operative commonwealth, based upon industrial democracy.

Unions may, if they so prefer, register under the Trade-Unions Act, 1908, instead of under the Arbitration Act. The former Act, after reciting that trade-unions are not criminal and are not unlawful by reason merely that they are in restraint of trade, states that none of its provisions will enable any court to entertain any legal proceedings, instituted with the object of directly enforcing or recovering damages for the breach of any agreement between members of a trade union as such, concerning the conditions on which any members for the time being shall or shall not sell their goods, transact business, employ or be employed. It further provides that this Act shall not affect any agreement between an employer and those employed by him as to such employment. It should be noted, however, that the Act cannot be deemed to constitute such agreements as the above "unlawful"; all agreements are subject to the ordinary law of contract and the common law. The Trade-Unions Act, therefore, does

not provide for the prosecution of any union registered under it for the violation of an agreement by means of a strike or lockout. For this reason, the ultra-radical unions have preferred this Act to the Arbitration Act. A table in the *Evening Post* (Wellington) of November 21st, 1913, contains the following estimate of the number of workers registered :—

	Under I. C. and A. Act.	Under T. U. Act.	Total.
Number of Unions	322	24	346
Membership	60,622	11,000	71,622

The total membership of unions registered under the Arbitration Act on March 31st, 1913, was :—Industrial, 60,622; employers', 4,262—in all representing about 6 per cent. of the population. If we add those dependent upon members of unions after allowing for the large proportion of single male and female workers, 10 per cent. would be a liberal estimate of the total population directly concerned in securing arbitration awards, so that 90 per cent. of the people are affected by such awards without representation other than that afforded by the judge of the Court. The Report of the Commission on the Cost of Living in New Zealand, 1912, in commenting on this, says : "This appears to be a serious weakness and calls for adjustment, as there is always the danger of mutual agreements being entered into between the two parties concerned, imposing unjust increases in the cost of living, not only to the 90 per cent. of the people who are not represented, but to all members of unions who are not parties to a particular dispute."

III. *The Present Labour Party.*

Towards the end of 1912 the miners at Waihi, Auckland, came out on strike, and all efforts to come to an agreement under the Arbitration Act were unavailing. The owners then introduced free labour; these new labourers formed a new union, registered themselves under the Arbitration Act, and under the protection of the law ousted the old union. A similar occurrence took place at Timaru, Canterbury, in connection with a local wharfsiders' strike. The use of the Act for the legal establishment of "blackleg" unions caused great indignation among the other unions, and wove a bond of sympathy between the two rival labour organisations. The Federation of Labour and the United Labour Party saw that both their interests lay in the one direction. The Federation of Labour sent out an invitation to a united conference, which was held in January, 1913. At this,

the basis of a new combined organisation was laid down, and in July the representatives of the two parties met for union. The union was effected, but only partially. The more moderate unions refused to recognise the new party, owing to its extreme tendencies, and the United Labour Party, though diminished in numbers, continued to exist. The new party was divided into two branches: the "United Federation of Labour" for industrial purposes; and the "Social Democratic Party" for political action. The United Labour Party had been staunch supporters of the Arbitration Act, and the Federation of Labour had been opposed to it: the newly-created United Federation of Labour adopted a compromise, in that registration or otherwise was left entirely in the hands of the particular union concerned. The new organisation is directly opposed to the formation of any "bogus" union—that is, a new union formed during a strike and registered under the Arbitration Act and superseding an old union, registered under the Trade-Unions Act. The objects of the United Federation of Labour were a combination of those of its two constituents (summarised above).

The chief instrument in the hands of the Federation for the attainment of these ends is the strike. The Constitution provides that unions of actual wage-workers shall be brought together under one of ten national departments. For example, the transportation department includes railway servants, waterside workers, seamen, tramway workers, drivers, cab and taxi-cab drivers, freight handlers, &c. The Federation requires the following rules to be observed in regard to strikes:—

"No National Industrial Department shall have the power to strike without first seeking the co-operation of the National Executive in an effort to secure a settlement.

"No union shall involve a local industrial department (that is, a department composed of all the affiliated unions in any given industry in a prescribed locality) in any strike without first placing the matter unreservedly in the hands of the local industrial department. No local industrial department shall involve its National Department in any strike without first placing the matter unreservedly in the hands of its National Department; and no National Industrial Department shall involve the United Federation of Labour in any strike without placing the matter unreservedly in the hands of the National Executive, the decision in each case to be final.

"The United Federation of Labour will employ the strike weapon, local, general, or national, whenever the circumstances

demand such action. In the event of a lock-out or authorised strike, the full strength of the United Federation of Labour shall be at the call of the National Executive in support of the section affected."

IV. *The Strike of the Wellington Shipwrights.*

Although the Wellington[1] shipwrights' dispute is not the chief cause of the recent attempted general strike organised by the United Federation of Labour, it was the first event in the chain leading up to it. The Wellington shipwrights, thirty-six in number, by reason of the fact that their employment was for many years of a casual character, had been in receipt of the highest rate of wages paid to shipwrights in New Zealand. They received 1s. 6d. per hour for ordinary time, while those in Auckland received only 1s. 4½d. The payment to the Wellington shipwrights of 1s. 6d. per hour has continued up to the present, although their employment is of a much more permanent character than it was formerly. Up to the time when the Union Steam Ship Company transferred its workshops staff from Victoria Street (Wellington) to their new site at Evans Bay, a distance of about two miles, it had been customary to provide a conveyance, or to pay travelling time to the shipwrights that were detailed to proceed from Wellington city to perform work at the patent slip at Evans Bay. On the completion of the U.S.S. Co.'s new workshops at Evans Bay, however, these became the place of business of the Company so far as its workshops staff was concerned, and the latter was notified accordingly that, for the future, the new workshops at Evans Bay would be regarded as the place of engagement, thus bringing the Company into line with other large manufacturing interests, whose premises are situated beyond the confines of the city proper, and who neither pay travelling time nor provide conveyance for their workers, though of course the location of the work is a factor in fixing the rate of wages. On March 19th, the Wellington shipwrights' union wrote objecting to this arrangement, and demanding payment for the time occupied in going to and from the work at the patent slip and Miramar. The Company, in its reply on April 9th, admitted

	New Zealand.	Auckland.	Wellington.	Christchurch.	Dunedin.
Population (1911 census)...	1,008,468	102,676	70,729	80,193	64,237
Exports } Year ending	£21,511,626	£3,381,938	£4,692,428	£2,904,148	£1,595,176
Imports } March 31st, 1913	£20,576,579	£6,898,533	£5,890,428	£3,174,571	£2,817,047

that the men were entitled to some extra remuneration for time lost in travelling; but the parties could come to no satisfactory agreement as to the amount. Owing to the failure of the negotiations, the shipwrights on May 1st cancelled the registration of their union under the Industrial Conciliation and Arbitration Act, and joined the Waterside Workers' Union.

The Waterside Workers' Union, which was then a branch of the Federation of Labour, and subsequently became affiliated to the United Federation of Labour, was bound by an agreement with the steamship companies of New Zealand. In January, 1912, representatives of the companies had met representatives of the watersiders in conference, and, after long deliberation, gave a marked increase in wages. An agreement was entered into and was to be binding till January 31st, 1914. Shortly afterwards a marked increase in wages to seamen followed. How much these increases amounted to, or how far they were "passed on" to the public, has never been made known. At the time of the agreement, the chief source of comfort to the general public was a fidelity clause, which was intended to prevent work at the wharves from being held up as long as the agreement lasted. The clause in question, clause 28 of the agreement, reads as follows :—

"The essence of this agreement being that the work of the employers shall always proceed in the customary manner, and shall not on any account whatsoever be impeded, it is agreed that if any dispute or difference shall arise between the parties bound by this agreement, or any of them, whether as to its construction or meaning, or as to any other matter whatever arising out of, or connected therewith, every such dispute or difference, as the same shall arise, shall be referred to a committee to be composed of three representatives of the union at the port concerned and three representatives of the employers for their decision. The decision of the majority of the committee shall be binding, and if no decision is arrived at, the committee shall submit the point in dispute to some independent person to be chosen by it, and if his decision is not acceptable to both parties, then the matter shall be referred for further negotiation to the New Zealand Federation of Labour and the employer or employers concerned."

On July 31st, 1913, the Waterside Workers' Union demanded for the shipwrights higher wages, travelling allowance, and other concessions, which would afford a much greater emolument to the men. The employers, however, refused to treat with this union, on the grounds that the agreement stated specifically that

it was in respect only of the "wages and conditions of employment of wharf labour," in which category skilled trades could not be included. Negotiations, then, were in progress between the shipwrights and the employers from March 19th till October 18th, the date of the outbreak of the strike. On October 17th the employers replied briefly that they were unable to entertain the claims, and, at the same time, informed the Waterside Workers' Union that, in the event of the intimation contained in their letter of August 19th that they would "stand by the shipwrights in the event of trouble arising" being carried into effect, and that if any stoppage or interference with the work of the employers resulted therefrom, such action would be regarded as a flagrant breach of clause 28 of the agreement. The following day the shipwrights came out on strike.

V. *The Sympathetic Strike.*

On Monday, October 20th, at a mass meeting of the Waterside Workers' Union it was decided to call a "stop-work" meeting at 8 a.m. on the next Wednesday to consider: (*a*) The shipwrights' grievances and claims; (*b*) travelling time for shipworkers at Evans Bay; and (*c*) such action as may be deemed necessary.

At this meeting it was decided to put the dispute in the hands of the United Federation of Labour, along with the necessary officials of the shipwrights and the president of the Waterside Workers' Union, with a view to the settlement of the dispute. When at 10 a.m. those who had attended the meeting returned to commence work again, they found that other union men had been put on in their places. The employers were quite willing to allow the stop-workers to come back to work, but as they refused to put them in the places they had occupied before the meeting, the watersiders regarded the action as a lock-out on the part of the employers. A meeting attended by fifteen hundred workers was again held, and a resolution was passed to the effect that no work should be accepted until all those who had stopped work had been reinstated. The shipping companies refused to do this, and declared the agreement to be broken. Much discussion has been aroused by this declaration. The employers maintained that the workers, in breaking the continuity of the day's work, had committed a breach of clause 28 of the agreement, and that consequently the agreement was no longer existent.

The workers, on the other hand, claimed that the employers broke the agreement when they refused to pay travelling allow-

ance; and that they broke it again when they refused to recognise the Waterside Workers' Union in the shipwrights' dispute. The workers admitted that the holding of the "stop-work" meeting was a violation of the agreement; but they sought to justify their action by the fact that the working of the ships is continued throughout the twenty-four hours, and it is only at the change of shifts that all the men can be called together. Although they recognised that this was the first meeting of its kind in Wellington, nevertheless "stop-work" meetings had been held in Auckland and Lyttelton since the coming into operation of the agreement, and these might be regarded as precedents.

The strike or lock-out, according to the view taken, of the sixteen hundred Wellington waterside workers commenced on October 22nd, 1913. The point at issue was no longer the grievance of the shipwrights. That had become merely the incident which culminated in the larger strike. The actual cause of the strike at this juncture was the breach of agreement that took place on the occasion of the "stop-work" meeting. On the 23rd the wharves were picketed; some free labourers and permanent employees of the Harbour Board worked the ships, and efforts were made to form a new Waterside Workers' Union under the Industrial Conciliation and Arbitration Act. On the 24th the working of the ships by free labour caused some of the strikers and their sympathisers to resort to violence. At a conference of both parties concerned, the employers proposed that work should be resumed on the old conditions. They promised that there should be no victimisation, but declined to recognise the former agreement, because it had been broken by the unionists, and there was no guarantee it would be kept in the future. The workers rejected these proposals on the following day, whereupon the employers further offered to enter into an agreement under the Arbitration Act, on the basis of the wages then paid, if the men would resume work and form a fresh organisation. On the 26th more acts of violence were committed. It was now felt by the Government that the police force was not sufficiently numerous to maintain order, and the Commissioner of Police decided to enrol special constables. Labour Day, the 27th, was regarded as a general holiday. The burning question on Tuesday, the 28th, was whether the strikers would allow the transhipment of the North Island horses entered for the New Zealand Cup Race Meeting at Christchurch. At a meeting of fifteen hundred strikers called for the purpose, it was eventually decided to allow the horses to proceed.

In the evening representatives of the employers and employees met in conference under the presidency of the Prime Minister, the Hon. W. F. Massey. The employers submitted proposals for the settlement of the dispute on the lines of their offers of October 24th and 25th. In addition, the Prime Minister suggested that Sir Joshua Williams, an eminent judge of the Supreme Court, should be asked to arbitrate.

The representatives of the workers, however, asked for an unconditional reinstatement of the late agreement. The employers would not accept this suggestion, as there was no guarantee given beyond a verbal statement by the representative of the union that the agreement would be carried out in its entirety. The other proposals proved equally unacceptable.

The conference was, therefore, unsuccessful. Up to this point neither the United Federation of Labour nor the Employers' Federation had taken any official part in the negotiations. The dispute so far had been between the Wellington Waterside Workers' Union and the Shipping Companies, whose proposals involved more than the resumption of work under the old agreement. At this juncture the local union gave place to the United Federation of Labour and the shipping companies to the Employers' Federation. On Wednesday, October 29th, the trouble began to spread; for on that day the Auckland and Westport watersiders came out in sympathy. On Thursday the appearance in the Wellington streets of the newly sworn-in special constables was the signal for some further rioting by the strikers and their friends. A strike of all the watersiders in the Dominion was now ordered, and the Lyttelton men followed the course of their Auckland comrades. On Friday more "specials" arrived in Wellington, and the city began to assume a military appearance. The Otago waterside-workers and the miners in the State coal-mines responded to the call for a sympathetic strike. Shipping was now at a standstill in the four chief New Zealand ports.[1]

November was ushered in at Wellington by the parading of the Permanent Force armed with rifles, bayonets, and a machine gun. On Sunday, November 21st, delegates from the United Federation of Labour waited on the Prime Minister and the Leader of the Opposition, Sir Joseph Ward, to urge the calling together of another conference. They said they would accept the extension of the old Dominion agreement over a certain period

[1] The chief New Zealand ports are: Wellington, Auckland, Lyttelton (port of Christchurch), Dunedin, and Port Chalmers, Napier, The Bluff, Timaru, Gisborne, and Westport and Greymouth for coal.

with a penalty for stoppage of work. As this proposal made by the United Federation of Labour was practically the same as a previous proposal which had been made to the Waterside-Workers' Union by the shipping companies, and had been rejected by that body because it had no authority to accept it, the prospects of settlement were considered hopeful. The conference commenced the following day, when the Prime Minister presided over seven representatives of the employers and seven representatives of the United Federation of Labour. The employers insisted on the registration under the Act of any agreement arrived at. The labour representatives refused to be bound by this condition, declaring that they could not guarantee registration, and that the feeling of the waterside workers was strongly against such action. The conference was, therefore, futile. The principle at stake between the parties had now become whether or not there should be compulsory registration under the Act. "Starvation or Arbitration" was the phrase in which the federationists described the issue placed before them by the employers.

After the conference the employers issued a manifesto, in which they stated their refusal to deal with any organisation not registered under the Act, and called on free labour to work cargo at the wharves. The Prime Minister announced that the necessary protection would be afforded to persons "lawfully carrying on their business." Meanwhile, the miners on the West Coast came out in sympathy, and other unions began to make threats of following their example. On Wednesday, November 5th, a thousand "specials" riding to protect the shipping of racehorses at Wellington, were assailed by a multitude of strikers and strike sympathisers, and many skirmishes took place, the chief weapons being batons on the one side and road metal on the other.

Sir Joseph Ward now stated in a letter to the Prime Minister that it was time Parliament should interfere in the dispute in the interests of the country. The Hon. W. F. Massey replied that the Cabinet was considering the advisableness of introducing special legislation. On Thursday the Wellington "free labourers" formed themselves into a union and registered under the Act. The United Federation of Labour called out the colliers of the Dominion; but by this time almost the whole of them had come out on strike in sympathy.

The attitude of the men's strike committee now was that it would have nothing to do with the Arbitration Act, but would be quite willing to accept legislation empowering an agreement by Stipendiary Magistrate's Court proceedings. A conciliatory spirit

now pervaded both parties and an early settlement was hoped for. The Conciliation Commissioner of the Wellington district urged on both parties that the watersiders' agreement should be made national for a term of years, that it should be filed in the Arbitration Court, utilising the machinery of the Arbitration Act for its enforcement, without the necessity for registration or going before the Court for variation of agreement. The Government approved this, and promised the necessary legislation. None of these schemes was acceptable to both parties.

On Saturday the "specials" took possession of the waterfront at Auckland, and this was the signal for what was practically a general strike in that city. It has been estimated that six thousand men ceased work there; the city hotels were closed; the trams stopped running on account of the shortage of coal; and many business places were temporarily closed.

VI. *The Attempted General Strike.*

On that day terms of peace, proposed by the Waterside Workers as the basis of another conference, had been rejected by the Wellington Citizens' Defence Committee, which insisted upon the registration of unions under the Industrial Conciliation and Arbitration Act. This rejection caused the United Federation of Labour to resort to retaliatory measures. On Monday, 10th November, the order for a general strike was despatched to all unions in Wellington, Christchurch, and Dunedin. It read: "In view of the gigantic conspiracy to smash organised labour, and the life and death struggle throughout New Zealand in order to preserve unionism against armed blacklegism, we call upon your union to make it a common cause, by refusing to work till the armed scabs leave the city. Auckland is magnificently solid. Will you follow? Labour's defeat means Labour's annihilation."

Moderate labour leaders did not approve the action of the Federation. One of these went so far as to say that the Federation leaders were fighting for their lives, and were using the unions as pawns in the game. The Wellington Citizens' Defence Committee issued a statement declaring no surrender and no treaty with the Federation. The New Zealand Farmers' Union announced that the farmers would see the strike through at any cost. Fourteen unions consisting of nearly 10,000 members were already out at Auckland, so that a state of general strike existed in that city. The Strike Committee at Christchurch replied that it would be a calamity to call a general strike there; the order

should be given only when special constables and "scab" labour were brought in. The Dunedin unions were lukewarm. Altogether four unions out of fifty-three responded to the appeal.

The industrial trouble took another turn on Tuesday, 11th November, when four prominent labour leaders were arrested on charges of having used language calculated to cause a breach of the peace. Another attempt was made to induce the parties to consider proposals for a settlement; but the employers refused to recognise the United Federation of Labour, and the deadlock continued. A warm debate on the situation took place in Parliament during which the Leader of the Opposition urged that special legislation should be introduced to end the strike. He suggested that a short bill, providing that no strike or lock-out should be made without a secret ballot conducted by an outside tribunal, with scrutineers selected by the union, whether of employers or employees, should be introduced by the Government; the standing orders should be suspended, and members asked to put it through in one session. The Wellington Waterside Workers' Union should then take a ballot amongst its members. The Prime Minister, however, was not so optimistic about the effectiveness of legislation, and declined the proposal. He said that no legislation in the world would make men work if they did not want to work, and none would compel employers to employ men if they did not want to employ those men.

Except for the arrest of two more leaders on charges of sedition, Wednesday was an uneventful day. By Thursday, matters had become quieter, and there were signs of the strike weakening. The Nelson farmers had already opened their port. Goods were now carted from the wharves through the city of Wellington without disorder. The drivers began to return to work. The shearers decided not to go out. Some unions at Auckland resumed work. From this city a petition was sent to the Prime Minister by three hundred shopkeepers and business men, asking him to bring pressure on the Employers' Association and "not to allow their stubbornness to ruin our trade." They stated that business in Auckland was paralysed. It was reported on Friday that the membership of the new Wellington Watersiders' Union had increased to nearly six hundred, and that twenty-two ships were being worked there. The large forces of special constables sworn in at Wellington and Auckland to preserve order and to enable the shipping companies and merchants to proceed with their work, now numbered over 3,000 men, and were costing the country more than £4,000 a day." The National Executive

of the United Labour Party issued a manifesto strongly opposing the call for a general strike made by the United Federation of Labour a few days previously, and urging its members not to come out. It regarded the strike as an injury to the cause of labour. Preparations were now made for the opening of the wharves at Dunedin, where the strike at no time got a firm hold. On the same day, the Christchurch Citizens' Committee, voicing the opinions of the Employers' Federation, informed the Lyttelton Waterside Workers' Union of its determination to work the port at the beginning of the next week, and advised the union to register under the Act. This ultimatum of the employers was rejected on the following day by the workers, and the former made their plans for the commencement of shipping operations. It was not till a week later, however, that the port was reopened.

Monday, 17th November, saw the registration under the Act of a new Lyttelton Waterside Workers' Union. The labour leaders in Christchurch promised that if special constables were not sworn in, the strikers would refrain from molesting the "free" labourers. The men, however, could not be restrained from creating disorder on Tuesday, and immediately the call went forth for the swearing in of the "specials." It was also announced that work was proceeding busily on the harbour front at Auckland, and, although five thousand men were still on strike there and another thousand involuntarily idle, yet the end was thought to be near. At Wellington, too, the wharves were busy, and the "Athenic," fully loaded by the new unionists, sailed for London amidst great enthusiasm. Work began to proceed peacefully with arbitrationists' labour at Dunedin. Thence came the announcement that the Strike Committee and the Relief Committee of the labour unions in that city had favourably received a proposal made by a unionist that the dispute should be referred unreservedly to Sir Joshua Williams, in order that a settlement might be arrived at, either as affecting Dunedin only or the whole Dominion. On Wednesday, minor disturbances in Wellington and Auckland were promptly suppressed by the "specials," and in the former town the hotels were closed. The arrested leaders were further remanded. The wharves were busily working in Auckland, Dunedin, and Wellington. Twenty-four steamers were being loaded or unloaded at the last-named port, and the membership of the new union there numbered nearly a thousand. A suggestion was made in Wellington that the strike could be ended by officially holding a secret ballot of

all the unions in New Zealand, to decide whether the unionists should register under the Arbitration Act, and it was stated that the Strike Committee would be quite prepared to abide by the result of such a ballot.

On Thursday all the ports except Lyttelton were busy. Men in all trades were returning to work in Auckland, and it was estimated that fourteen hundred more men were working there than on Monday. A large camp of "specials" was being formed at Christchurch, to assist in the opening of the port during the following week. On Friday the Christchurch Drivers' Union decided to stop work on the following Monday. The Central Strike Committee now despatched a cablegram to the Australian Workers' Union appealing for help and, in addition, sent two of its members to Sydney. On Saturday the Strike Committee at Auckland declared the general strike to be off in that city, with the exception of the transport section comprising the seamen, watersiders, carters, and tramwaymen. It should be remembered that many new watersiders were working in the Arbitration Union.

A large meeting of Christchurch citizens passed a resolution to the effect that the Government should be requested to introduce legislation to end the crisis.

The Conciliation Commissioner in Wellington made certain suggestions to the Prime Minister for the settlement of the strike difficulty, which were understood to be agreeable to the strikers; but the Employers' Association in their reply to the Prime Minister said that they could not be considered as a basis for settlement. The position at the end of this week appeared to be that, except for the miners, the strike was practically broken in Auckland, Wellington, and Dunedin, and that Christchurch was to be the storm-centre the following week; the Australian watersiders were showing signs of restlessness, and there seemed to be some danger of an inter-colonial maritime strike.

On Monday, 24th November, the Christchurch drivers came out on strike, and violent conduct by some of the miners was reported from the West Coast. A large body of the miners who had struck at the Blackball and State Collieries marched to Brunner and caused the non-strikers there to "down tools" to the strain of the "Red Flag." Two events gave interest to Tuesday's proceedings. These were the formation of a new Christchurch Drivers' Union registered under the Act, and the opening of the port of Lyttelton by "free labour" under the protection of "specials." It was reported that there were only three unions

on strike in Auckland. A conference of representatives of the Australasian Federation of Labour and of the Transport Union was opened in Sydney, and by many this was regarded as heralding more widespread trouble. On Wednesday the strike of the Christchurch drivers had almost fizzled out, and work was proceeding briskly at Lyttelton. Sir Joseph Ward suggested in Parliament that Sir Joshua Williams should be asked to deal with the industrial dispute. Since Mr. Massey made the same proposal at the Conference of October 28th, the attitude of the two parties towards it had become reversed. The United Federation of Labour now favoured arbitration, and expressed its willingness to accept the eminent judge's decision as binding; but the Employers' Federation refused to entertain the proposal, on the grounds that the time had gone by for further negotiations; that work at the ports was progressing in a manner completely satisfactory to the employers; and that they had no intention whatever of entering into agreements, arrangements or understandings of any sort whatsoever that would in any way place them in such position as would in any degree prejudice their relations with the thousands of unionists then at work in the ports, to whom they were by that time morally and legally committed. They further refused to meet, negotiate, treat, or confer with the Labour Federation or any representative of it. New Zealand shipping was now held up in Sydney, and the attitude of the Australian seamen was causing considerable anxiety. On Saturday a long and secret conference of transport and other unions was held at Sydney under the presidency of Hon. W. M. Hughes, an Australian labour leader, to consider their attitude towards the New Zealand trouble. The conference, which represented over 200,000 workers, adjourned till Monday. Towards the end of this week the four chief New Zealand ports were almost fully manned by arbitration labour, shipping operations were carried on briskly, more strikers returned to work, and the end of the strike seemed in sight.

On Monday, 1st December, the coal miners at Huntly declined the mineowners' invitation to return to work. A suggestion was made that the farmers should be called upon to open the mines, as they had opened the waterfront. Six Dunedin strike leaders, who had been arrested on charges of intimidation, were bound over to keep the peace. The Christchurch Drivers' Union decided to call the drivers out again, an appeal also being made to other unions for co-operation. The conference of Sydney unionists was continued, and was again adjourned. On Tuesday

a very poor response was made to the appeal of the Christchurch drivers for another strike. The Australian workers now attempted to bring pressure to bear on the parties in New Zealand, in accordance with the policy framed by the big Labour Conference. The Sydney waterside workers decided to refuse to handle cargo to or from New Zealand, but not to interfere with the U.S.S. Co.'s Australian coastal trade. The conference, through Mr. Hughes, cabled a long and earnest appeal to the employers' organisation at Wellington strongly urging that the whole dispute should be referred to Judge Williams, or to some other acceptable arbitrator, whose decision should be final on all points, including the employment of labour. On Wednesday the Sydney watersiders, in spite of the ukase of the conference of unionists that the boycott should extend to vessels engaged only in the New Zealand trade, applied it to all vessels owned by the Union Company. At the same time the Federated Seamen's Union of Australia decided not to handle any New Zealand cargo. The Employers', Farmers', and Citizens' Defence Committee at Wellington issued a manifesto, strongly condemnatory of the United Federation of Labour, and stating that the Committee had collectively and individually pledged itself to the elimination of the Federation, its officers and representatives from any negotiations with unions of workers. It declared that the employers' relations with unregistered unions, especially with such unions as had been affiliated with the Federation, had been conspicuous for the frequency with which the workers had broken their agreements, and also for friction arising out of the interpretation by the workers' representatives of agreements, when such had been nominally observed. The experience of employers during the last ten years with unions affiliated with the United Federation of Labour had fully justified them in regarding that body as identical with the Independent Workers of the World, with which it professedly had so much in common. The employers said that they could not treat with an organisation of such a frankly hostile character. On Thursday, the Wellington Employers' Committee, after consulting with other associations of employers, cabled to Mr. Hughes declining arbitration. "There is nothing left for arbitration," the Committee stated, "as the employers know of no grievances that are standing in the way of the strikers joining the new unions." On the same day the president of the United Federation of Labour was sentenced to three months' imprisonment on a charge of inciting to violence. From Dunedin came the report that it was very likely that Sir Joshua Williams

would be asked to arbitrate on the trouble between the seamen and the shipowners. It appeared that all that was required to effect a settlement was a third party as arbiter.

The trouble now began to spread in Australia, for the Federated Waterside Workers' Union at Brisbane notified the shipping companies that it did not intend handling any cargo to or from New Zealand. On Saturday Mr. Hughes, in a cable to the Prime Minister, expressed the hope that he would use every influence to persuade the New Zealand employers to accept arbitration in the existing dispute. The chairman of the Wellington Employers' Defence Committee stated in reply to another cablegram from Mr. Hughes, that the Committee was unable to consider anything in the direction of the advice tendered to submit the dispute to arbitration. The secretary of the United Federation of Labour gave the assurance that the unionists would loyally abide by the decision of the arbitrator, were the dispute submitted as suggested.

On Monday, 8th December, Mr. Hughes succeeded in inducing the Sydney waterside workers to abandon their defiance of the Labour Conference's decision with regard to the U.S.S. Co.'s steamers. This meant that the men would now handle cargo on all vessels except those engaged in the New Zealand trade. On Thursday Mr. Massey stated in the House of Representatives that it would be impossible to effect a settlement by arbitration or legislation.

On Friday, the important question whether a union registered under the Industrial Conciliation and Arbitration Act and not under the Trade-Unions Act can give a part of its funds for the aid of the families of men who are on strike, the men not being co-workers in any sense in the same industry as that of the registered union, was decided by the Chief Justice, Sir Robert Stout. The Union concerned was the Wellington Typographical Union, which some time before had made a vote of £100 to the waterside workers' strike fund. The question at issue was answered by the Chief Justice as follows :—(*a*) It is not lawful for the defendant union to apply any of its funds for the purpose of assisting the unions mentioned in the proceedings or their dependents, while the members of those unions are engaged in a strike. (*b*) The union cannot make levies on its members for that purpose. In the course of his judgment, his Honour said the union must be one for the purpose of protecting or of furthering the interests of workers in connection with the special industry of printing. It was not a general benevolent society, and it was

not formed for the purpose of aiding workers in other industries. It might be that it could assist even those on strike if they were printers or engaged in the same branch of the printing industry, as Rule 15 provides, but, in his opinion, there being nothing in the statute enabling a union to assist workers on strike, at all events, outside the industry to which members of the union belonged, it could not be implied that it had that power. Mr. Justice Chapman concurred in the judgment.

On Saturday Parliament passed the Labour Disputes Investigation Bill, with the object of diminishing the number of strikes in the future. The provisions of the bill apply equally to employers and workers, whether associated under registered bodies or not. If a dispute arises, notice must be given to the Minister of Labour, and any action by way of strike or lock-out must be withheld until a Labour Dispute Committee, consisting of from three to seven representatives of each of the two parties concerned, has publicly investigated the merits of the affair. The Committee will submit recommendations to the Minister and the parties. Public opinion is then enlightened on the whole question, and if a strike or lock-out follows (a secret ballot of workers being a necessary preliminary to a strike), public sympathy, a valuable asset, goes to the more deserving side. The maximum penalties for a breach of any clauses are, in the case of workers £10, employers £500, industrial unions of workers or employers £1,000, or £10 per member, whichever is the smaller. On Monday, 15th December, Parliament voted £100,000 to defray state expenditure in connection with the strike. Tuesday was the fifth day on which the officials of the United Federation of Labour had sat in conference, and, as no public announcement had been made, the strikers and those who were working but paying strike levies began to grow impatient. Representatives of the seamen and the shipowners now conferred, but the meeting was adjourned till the following day. On Thursday, Greymouth was peacefully reopened. So far, no public announcement had been issued by the conference of delegates from the United Federation of Labour. The Dunedin seamen accepted terms arrived at between the representatives of the seamen and the shipping companies in Wellington, and decided to register under the Arbitration Act and to return to work. The directors of the U.S.S. Co., as a practical manifestation of their appreciation, granted a bonus of one month's salary to its faithful employees.

The situation was considerably relieved on Friday, 19th

December, by the strike of the seamen and firemen being declared off, terms of agreement being accepted by the seamen and shipowners, and signed by representatives of the Federated Seamen's Union of Australasia on the one hand and by representatives of the Union Steamship Company and of the New Zealand Shipowners' Federation on the other.

In consequence of a cable having been received in Sydney officially notifying that the strike had been declared off in New Zealand, the Conference of Unions adopted a resolution asking all delegates to inform the various unions and branches that the strike had been declared off by the New Zealand Federation, and that the embargo on New Zealand trade on the part of the Australian unionists had consequently been withdrawn. On Saturday, an official declaration by the Federation of Labour stated that the conference of delegates from the various strike centres, together with the Executive of the Federation, had decided that, in the interests of those most closely concerned, it was wisest to call the strike off as from December 20th, for all engaged with the exception of miners. "So far as the miners are concerned," said the statement, "we are but awaiting a conference with the mineowners and the miners' representatives to discuss matters relating to that industry."

VII. *General Remarks.*

It is very difficult to come to definite conclusions on the merits of the recent strike, while the dust of the conflict is still in the air and a great part of its history necessarily secret. We can offer here only a few provisional remarks.

Labour unrest at the present time is not peculiar to the Dominion of New Zealand. Dissatisfaction with the conditions of work has been a mark of the entire industrial world during the last few years, and is largely due to the tendency of real wages to fall owing to the rise of prices, to the conviction of the workers and their leaders that they do not get their full share of the advantages of material progress, to the rising standard of comfort during the last decade of the past century, to the desire for a still higher standard, and to the possibility of the broader and more diverse life which education and the diffusion of general knowledge have brought within the horizon of the working classes. It is noteworthy, however, that the burning question in this particular dispute did not refer to wages. It is true that the strike of the Wellington shipwrights for higher rates of pay was the match which kindled the industrial blaze; but this demand

was altogether lost sight of when the point at issue became whether agreements should be respected, and whether there should be compulsory registration under the Arbitration Act.

It is not possible to place the blame for the trouble wholly on one party; for a lack of the spirit of "sweet reasonableness" was shown by both sides. When the Federation of Labour was first formed among the miners, its leaders began to instil revolutionary ideas into the workers. On January 17th, 1912, a few days after the signing of the waterside workers' agreement, the secretary of the Federation gave expression to the following views on the observance of agreements: "Every agreement entered into is not binding upon you for a single instant; no, not if it was signed by a thousand officials and ratified by a dozen courts. The agreement is not sacred. Only a fool would regard it as such. The moment an opportunity occurs to better your condition, break your agreement; break it whenever it will pay you to do so. If necessary, let us toss every agreement to hell." There is little wonder, then, that after the expression of opinions such as these, the employers regarded the Arbitration Act with increased favour, and in the recent struggle insisted on the strikers registering themselves in a union under this Act as a condition of readmittance to work. The strike might, therefore, be regarded as the culmination of recent developments affecting the extreme labour section and the employers—both recognised that in a short time there must be a trial of strength. When the Wellington watersiders violated their agreement, the employers adopted a firm attitude, and forced the conflict at a time when trade was slack, the busy export season having not yet commenced, and victory appeared certain. It is a matter for great regret that the issue was not settled at an early stage in the dispute. If each party had been possessed of a conciliatory spirit, serious industrial disorganisation would not have occurred. The people of the Dominion regret that the Prime Minister was unable to bring the parties to an agreement when he presided at their Conference. By their insistence on compulsory registration under the Arbitration Act, the employers were responsible for the prolongation of the dispute; but it may be that their unbending attitude and their immediate victory on this point will make the workers generally less willing to entrust their affairs to men whose views are as extreme and methods as violent as those of the leaders of the Federation of Labour.

Up to 22nd October, the bone of contention had been the conditions of work of the Wellington shipwrights, and as negotia-

tions had been carried on since April, the men had reason for attempting to bring matters to a finality. When on that day, the waterside workers came out on strike in sympathy with the shipwrights, the question became whether agreements not registered under the Arbitration Act should be regarded as binding. The workers made light of the agreement; but the employers were determined to make the keeping of it the main condition on which the strikers should be allowed to resume work. Until the rejection of the employers' proposals for settlement on 28th October, the shipping companies had tried to get either the registration of the waterside workers union under the Arbitration Act or the reinstatement of the agreement with a provision for the infliction of a penalty if Clause 28 were broken, and they had even been prepared to submit the whole matter to the arbitrament of Sir Joshua Williams. After the failure of these negotiations, the dispute widened from one between the shipping companies and the waterside workers to one between the Employers' Federation and the United Federation of Labour, and the bone of contention became whether there should be compulsory registration of unions under the Arbitration Act with the statutory punishment of a strike or a lock-out. Both parties now recognised that the fight must be fought to the bitter end; for the spirit of conciliation was lacking on both sides, owing to the aims and objects of the two organisations being in complete opposition.

It is interesting to observe the attitude of the combatants to the question of the submission of the dispute to arbitration. Up to 28th October, the shipping companies had favoured, and the workers had opposed, this course. When, later on, the struggle appeared to be going against the United Federation of Labour, the Executive of that body expressed its willingness to accept arbitration; but, although the conference of unionists at Sydney tried to force the New Zealand employers into referring the matter to arbitration, the employers peremptorily refused. They did this in spite of the fact that their refusal made an intercolonial Maritime Strike seem imminent. They insisted on registration under the Arbitration Act, and the conflict ended with the defeat of the United Federation of Labour.

The failure of the strike was in great part due to public sympathy being against the workers' action, owing to the violent speech and extreme action of the leaders of the United Federation of Labour, to their doctrine of non-observance of contracts, and to the United Federation pitting itself against the employers

and the community in the government of industrial conditions. The employers and a very large section of the community also resented the Australian intervention; but that action shows that in the future the relation of workers in other countries may have to be seriously considered when a dispute arises.

The victory of the employers has been of considerable educational value to the workers. It has made them realise, as they have not done before, the direction that a section of the labour movement has been taking during the last few years, and it has reaffirmed many of the old and commonplace lessons of strikes. When the United Federation of Labour was formed, many workers believed that the objects of that organisation would soon be realised; the promise of new things appealed to their latent discontent. The struggle may lead them to see that the general strike tends by paralysing industry to diminish the source from which wages are drawn, and that at present it is a weapon with a very dangerous recoil.

One fact that has been made clear is that if a strike policy is to have any chance of success, the workers must choose leaders of sound character, of sagacity, and of ability for generalship and organisation; that they must have complete confidence in these leaders; that they must give implicit obedience to their leaders' commands, thus sinking their individuality in their unions and making their conditions one of status rather than of contract; that they must be perfectly organised; that the time and manner of striking must be carefully chosen; and, above all, that they must have public opinion in their favour.

The strike has shown how a dispute between a small section of the community can grow till it dislocates the trade of the whole Dominion. To many it seems a fatal defect that there is no representative on the Arbitration Court to safeguard the interests of the community as a whole, and that no provision was made for such representative or representatives on the labour dispute committees that will be set up under the Labour Disputes Investigation Act which came into operation on January 1st, 1914.

A comparison of the 1913 strike with that of 1890 is instructive. For some time previous to both, there were signs that the unions, in 1890 encouraged by the success of the dockers' strike in London, and in 1913 by the general advance of the federation movement and the revolutionary teaching of their leaders, were pursuing a course of action which must sooner or later produce a conflict with the employers. Mr. Charlewood has stated (THE ECONOMIC JOURNAL, Vol. I., p. 715) that it was difficult to avoid

the conviction that the strike of 1890, far from being brought about by an attempt on the part of capital to crush labour, was exactly the reverse. When the 1913 struggle grew into a battle between the two great federations, it was clear that the employers were determined to defeat the United Federation of Labour at any cost, and they did it. It must, however, always be remembered that the Federation represents only the extreme wing of the labour movement; and it is by no means clear that it has been crushed as an organisation.

It is noteworthy that the two struggles were carried on at the time most disadvantageous to labour. In 1890, the time chosen was the commencement of our summer, when a coal famine, one of the chief weapons in the hands of the workers was least to be feared, and the harvest being two months off, the country hands were able to pour down to the ports, where the nominal wages to be earned were such a revelation to them, that one result of the strike was a permanent transfer of workers from the country to the ports and *vice versâ*. In 1913, the conditions were much the same. The strike commenced in early summer, the demand for domestic coal was slack, the farmers and their labourers were able to come to assist in the opening of the ports before the export season commenced, and present indications are that many of the farm and casual hands will make their temporary positions permanent.

In the 1890 strike a considerable section of the strikers was unable to assign any definite cause for the strike. In 1913, the original causes were lost sight of in the wider questions, which had to be settled as the strike area extended. In the end the point at issue was the definition and assertion of the authority of the two organisations.

The strike of 1890 began in Australia, and, while the struggle was going on there, it was the policy of the labour party in New Zealand to help their brethren in Australia. This could be done only by keeping their own hands free. Instead of doing this they began a quarrel with the Union Steamship Company, which almost immediately brought them face to face with the whole of the employers of the Dominion. In 1913, the strike began in, and was almost solely confined to, New Zealand, although at a late stage in the dispute the unions of the Commonwealth attempted to force the employers into compulsory arbitration by boycotting all New Zealand goods. A word of praise is due to the Australian labour leaders for the manner in which they held in check the more impetuous classes of workers, and so preserved industrial peace in the Commonwealth.

Both strikes have shown that in any conflict the probability of supplies being obtained from other countries in the circle of international trade has to be considered. In 1890, supplies of coal came from Cardiff and Japan, and in 1913 from Japan and South Africa.

The labour party has been praised for the orderliness with which it conducted the 1890 strike. Similar praise can also be given to most of the strikers in 1913; but there were scenes of violence, and public opinion supported the Government in the vigorous steps it took by swearing in special constables to assist in maintaining public order. The majority of the people of the Dominion do not regret that the magistrates closed the hotels at the critical stages of the strike.

At present it is not possible to say what the cost of the strike has been; but some of the estimates made are worth noting. On 13th November, it was stated that the special constables in Auckland were costing the country over £2,000 per day. On 24th November, it was estimated that the loss in wages in Auckland alone since the beginning of the trouble was over £46,000. On 26th November, Sir Joseph Ward stated that his estimate of the cost of the strike was a quarter of a million sterling weekly. On 12th December, it was announced that the strike was costing the Otago Harbour Board about £1,500 a week, and that the total loss to the Board would be about £10,000. On 15th December, Parliament voted £100,000 to cover estimated strike expenditure. On 20th December, the Mayor of Auckland said that on a conservative estimate, Auckland workers had lost about £60,000 in wages; that business and shipping would show a shrinkage of £100,000 during the strike period; and that the province had lost at least £200,000 by the strike. One thing is certain; when to the cost incurred by the State in the suppression of rioting, in the maintenance of law and order, and in the preservation of the right to work to those who desired to work, are added the loss in wages on the part of the workers who threw up their employment, the loss in wages on the part of the workers who were thrown out of employment through the dislocation of trade, the loss in one way and another suffered by the importers, manufacturers, and producers, the loss of trade suffered by the retailers, and the loss to which householders were required to submit through the increased price of commodities, the sum total will be a very imposing amount.

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CHRISTCHURCH, NEW ZEALAND.
January 7, 1914

THE DEPRECIATION OF BRITISH HOME INVESTMENTS.

III.

THE accompanying tables and diagram bring up to date those which appeared in the June numbers of the JOURNAL in 1912 and 1913. An additional line now appears in the diagram obtained from Professor Rist's figures published in the *Revue d'Economic Politique*. This line shows the average mean annual prices (reduced to years' purchase of income) of six Obligations of great French railways, and it affords a most interesting comparison with that of the ten British railway debenture-stocks. While the comparison raises some new questions, it fully supports the conclusions reached in the previous articles that since 1896 British home investments have fallen exceptionally as compared with similar foreign and colonial investments. In 1896 British railway debenture-stocks were selling at much higher prices than the corresponding French stocks; the lines crossed in 1908; and for the last six years the French stocks have been fetching higher prices than the British. The close approximation of this new line to that of British municipal stocks since 1903 is remarkable, and calls for more examination than is here possible. The noteworthy differences between the behaviour of the British and French railway stocks during the period 1875 to 1896 are probably due to political as well as economic causes, some of which are indicated in the diagram. The British railway ordinary line has now come down so close to that of the corresponding foreign and colonial investments as to be practically identical with it. The British municipal line has also again fallen considerably. The old line of foreign and colonial railway obligations—*D*—*D*—has, for the third successive year, fallen; and though the corresponding British line—*A*—*A*—has fallen more rapidly (except in the last year), the fact certainly suggests that whatever may have been the special cause of the exceptional depression of British home investments since 1896 there is in

TABLE I.—(Line A of Diagram).

Dividends and Mean Prices. BRITISH RAILWAY DEBENTURE STOCKS.

—	1876.	1881.	1886.	1891.	1896.	1901.	1906.	1911.	1912.	1913.
1. Caledonian	4·00	4·00	4·00	4·00	4·00	4·00	4·00	4·00	4·00	4·00
	104·00	107·5	116·2	126·6	156·9	135·2	121·2	108·00	104·0	102·1
2. Great Eastern ..	4·00	4·00	4·00	4·00	4·00	4·00	4·00	4·00	4·00	4·00
	102·5	112·2	117·0	127·5	154·2	131·0	119·1	106·2	102·4	99·5
3. Great Northern ..	4·00	4·00	4·00	3·00	3·00	3·00	3·00	3·00	3·00	3·00
	105·2	114·7	120·5	100·5	119·1	100·0	92·0	81·6	78·8	77·1
4. Great Western ..	4·00	4·00	4·00	4·00	4·00	4·00	4·00	4·00	4·00	4·00
	105·2	114·7	121·0	131·9	157·7	134·0	123·4	109·5	106·6	108·5
5. Lanc. and Yorkshire	4·00	4·00	4·00	4·00	3·00	3·00	3·00	3·00	3·00	3·00
	105·2	114·7	118·0	128·0	119·7	100·5	91·8	81·2	78·3	75·6
6. L. and North Western ..	4·00	4.00	4·00	4·00	3·00	3·00	3·00	3·00	3·00	3·00
	105·7	115·0	121·7	132·7	119·9	103·2	95·8	84·2	80·9	78·8
7. L. and South Western ..	4·00	4·00	4·00	3·00	3·00	3·00	3·00	3·00	3·00	3·00
	105·7	115·5	120·0	100·2	119·9	101·8	93·0	81·9	79·1	76·7
8. L. Brighton and South Coast ..	4·50	4·50	4·50	4·50	4 50	4·50	4·50	4·50	4·50	4·50
	114·0	124·0	130·5	143·0	173·7	147·4	133·0	120·2	116·0	112·4
9. (a) Manchester, Sheffield and Lincs .. .. (b) L. Tilbury and Southend .. (c) Great Central	(a)4·50	(b)4·00	(b)4·00	(b)4·00	(b)4·00	(b)4·00	(b)4·00	(b)4.00	(c)4·50	(c)4·50
	113·0	107·5	116·0	123·0	154·1	130·5	117·0	106·1	113·0	110·0
10. North British ..	4·00	4·00	4·00	4·00	3·00	3·00	3·00	3·00	3·00	3·00
	102·7	107·9	114·7	124·6	116·4	100·0	91·0	80·6	78·3	76·1
Average of the ten: Dividend, % ..	4·10	4·05	4·05	3·85	3·55	3·55	3·55	3·55	3·60	3·60
Price, %	106·32	113·37	119·56	123·80	139·16	118·36	107·73	95·95	93·74	91·18
Yield, %	3.17.1	3.11.3	3.7.9	3.2.2	2.11.0	3.0.0	3.5.7	3.14.0	3.16.8	3.19.0
Year's Purchase	25·9	28·0	29·5	32·2	39·2	33·3	30·3	26·8	26·0	25·3

The dividends are those paid during the year.

TABLE II.—(Line B of Diagram).

Dividends and Mean Prices. BRITISH MUNICIPAL SECURITIES.

	1896.	1901.	1906.	1911.	1912.	1913.
1. Metropolitan Consolidated (1941) 3% Stock...	121·75	101·37	93·75	89·25	87·56	85·50
2. Birmingham Corporation (1947) 3% Stock	114·00	100·87	91·87	86·44	83·50	79·37
3. Bristol Irredeemable 3½% Stock	132·75	114·25	104·50	97·75	94·25	89·56
4. Cardiff (1935) 3½% Stock	122·31	106·75	101·37	97·00	95·00	90·56
5. Glasgow Irredeemable 3½% Stock	135·25	118·75	107·37	102·12	100·00	96·00
6. Liverpool Irredeemable 3½% Stock	136·75	117·75	108·12	100·50	98·87	93·62
7. Manchester Irredeemable 4% Stock	151·12	132·06	123·56	114·69	111·75	105·50
8. Newcastle (1936) 3½% Stock	121·37	106·50	101·25	97·37	95.75	94·12
9. Nottingham Irredeemable 3% Stock	117·12	100·37	90·44	87·87	86·44	79·75
10. Bradford (1945) 3½% Stock	123·25	109·31	101·75	97·75	96·87	93·19
Average of the Ten: Dividend, 3·4%. Price	127·567	110·798	102·398	97·074	94·999	90·717
Yield, per cent. ...	2.13.4	3·1·4	3.6.5	3.10.1	3.11.7	3.15.0
Years' Purchase ...	37·5	32·6	30·1	28·5	27·9	26·7

TABLE III.—(Line C of Diagram).

Dividends and Mean Prices. BRITISH RAILWAY ORDINARY STOCKS.

	1896.	1901.	1906.	1911.	1912.	1913.
1. Caledonian	5·25 154·56	3·62 124·40	4·00 110·60	3·37 85·75	3·25 78·62	3·37 74·69
2. Great Eastern	2·75 98·62	2·62 101·75	3·37 85·19	3·37 71·12	2·87 65·25	2·25 54·00
3. Great Western	5·87 173·25	4·00 140·06	5·37 133·19	6·00 126·31	5·37 118·31	6·12 115·87
4. Lancashire & Yorkshire	5·12 140·44	3·62 117·87	4·12 105·12	4·62 97·12	4·12 91·56	4·25 87·12
5. L. and North Western	6·87 197·69	5·50 169·31	6·37 155·50	6·87 141·12	6·37 134·75	7·00 131·00
6. L. and South Western	6·37 207·25	5·50 176·00	6·00 153·00	6·12 141·37	5·50 128·62	5·87 117·81
7. L. Brighton & Sᵗʰ Coast	6·50 185·50	4·75 142·00	5·62 133·62	5·62 115·50	5·00 111·12	5·25 104·56
8. North East. "Consols"	6·12 173·56	5·75 160·25	5·75 140·94	6·25 130·37	5·75 123·34	6·50 120·25
9. North Staffordshire ...	4·25 130·25	3·62 107·75	4·25 101·19	4·75 94·44	4·37 89·25	4·50 84·56
10. Taff Vale	3·25 86·50	2·87 71·50	3·87 79·62	4·00 76·00	3·50 73·25	4·25 73·62
Average of the Ten: Dividend, per cent.	5·235	4·185	4·872	5·097	4·610	4·936
Price ,,	154·762	131·089	119·797	107·910	101·407	96·348
Yield ,,	3.7.8	3.3.10	4.1.4	4.14.6	4.10.11	5.2.6
Years' Purchase	29·6	31.3	24·6	21·2	22·0	19·5

The dividends are those paid during the year.

TABLE IV.—(Line D of Diagram).

Dividends and Mean Prices. FOREIGN AND COLONIAL RAILWAY OBLIGATIONS.

	1896.	1901.	1906.	1911.	1912.	1913.
1. Northern of France 3% Obligations	95·0	91·1	91·1	84·1	83·4	3·0 80·6
2. Grand Russian (Nicolai) 4% Bonds	99·0	97·1	76·5	89·1	85·5	4·0 85·4
3. (*a*) Pennsylvania 4½% Gold Bonds ... ... (*b*) Pennsylvania 4% Con. Mort. Bonds	(*a*) 113·0	(*a*) 111·6	(*a*) 104·8	(*a*) 104·1	(*a*) 102·7	(*b*)4·0 97·6
4. Chic. Mil. and St. Paul 4% Gen. Mort. Bonds	95·2	115·0	111·9	104·1	101·6	4·0 98·1
5. Buenos Ayres Gt. Southn. 4% Deb. Stock	119·5	111·0	106·2	102·2	101·0	4·0 97·4
6. Central Argentine 4% Deb. Stock	110·1	102·9	105·5	101·4	100·3	4·0 96·6
7. Mexican Railway 6% Perp. Deb. Stock ...	131·1	132·7	144·0	139·6	137·9	6·0 126·5
8. Nitrate Railways 5% 1st Mort. Bonds	88·6	97·7	105·2	105·2	106·0	5·0 105·7
9. Canadian Pacific 4% Con. Deb. Stock	105·2	110·1	110·9	104·4	102·2	4·0 98·0
10. Atlantic and St. Lawrence 6% Shares	152·5	160·5	157·7	150·1	146·1	6·0 138·0
Average of the ten: Dividend, 4·45%. Price	110·92	112·97	111·38	108·43	106·67	4·40 102·39
Yield, per cent. ...	4.0.3	3.18.9	3.19.11	4.2.1	4.3.5	4.5.11
Years' Purchase ...	24·9	25·4	25·0	24·4	24·0	23·2

TABLE V.—(Line E of Diagram).

Dividends and Mean Prices. FOREIGN AND COLONIAL RAILWAY ORDINARY STOCKS AND SHARES.

	1896.	1901.	1906.	1911.	1912.	1913.
1. Canadian Pacific ...	2·00	5·00	6·50	10·00	10·00	10·00
	58·06	104·50	184·94	227·69	258·62	233·00
2. Chicago, Milwaukee	4·00	6·00	7·00	7·00	5·00	5·00
and St. Paul	72·37	71·31	178·50	122·94	111·00	109·62
3. Illinois Central	5·00	6·00	7·00	7·00	7·00	6·00
	93·69	143·81	179·81	143·44	134·62	119·50
4. New York, Cent. and	4·00	5·00	5·25	5·00	5·00	5·00
Hudson's River ...	96·06	160·50	145·12	111·50	116·81	103·00
5. Pennsylvania	5·00	6·00	6·50	6·00	6·00	6·00
	116·12	154·25	139·12	128·37	126·75	118·37
6. Buenos Ayres Great	5·50	7·00	7·00	7·00	7·00	7·00
Southern...	130·12	137·75	133·69	121·37	125·25	119·50
7. Buenos Ayres Western	6·00	6·00	7·00	7·50	7·00	7·00
	120·62	104·69	131·12	128·37	127·19	119·00
8. Central Argentine ...	2·50	3·75	6·00	6·00	6·00	6·00
	64·25	65·87	115·87	107·44	107·31	106·19
9. (a) Rio Claro San Paulo	14·00	14·00	14·00	13·50	6·00	6·00
(b) Great Western of Brazil	(a) 231·87	(a) 244·68	(a) 262·50	(a) 257·50	(b) 105·31	(b) 99·06
10. San Paulo (Brazilian)	14·00	10·00	12·00	13·00	13·00	14·00
	195·62	151·50	207·19	209·50	234·50	248·00
Average of the Ten: Dividend, per cent.	6·200	6·875	7·825	8·200	7·200	7·200
Price ,,	117·878	143·886	167·786	155·818	144·736	137·524
Yield ,,	5.5.2	4.15.6	4.13.3	5.5.3	4.19.6	5.4.8
Years' Purchase...	19·0	20·9	21·4	19·0	20·1	19·1

The dividends are those paid in the year.

operation some other general cause which is now affecting foreign and colonial stocks similarly.

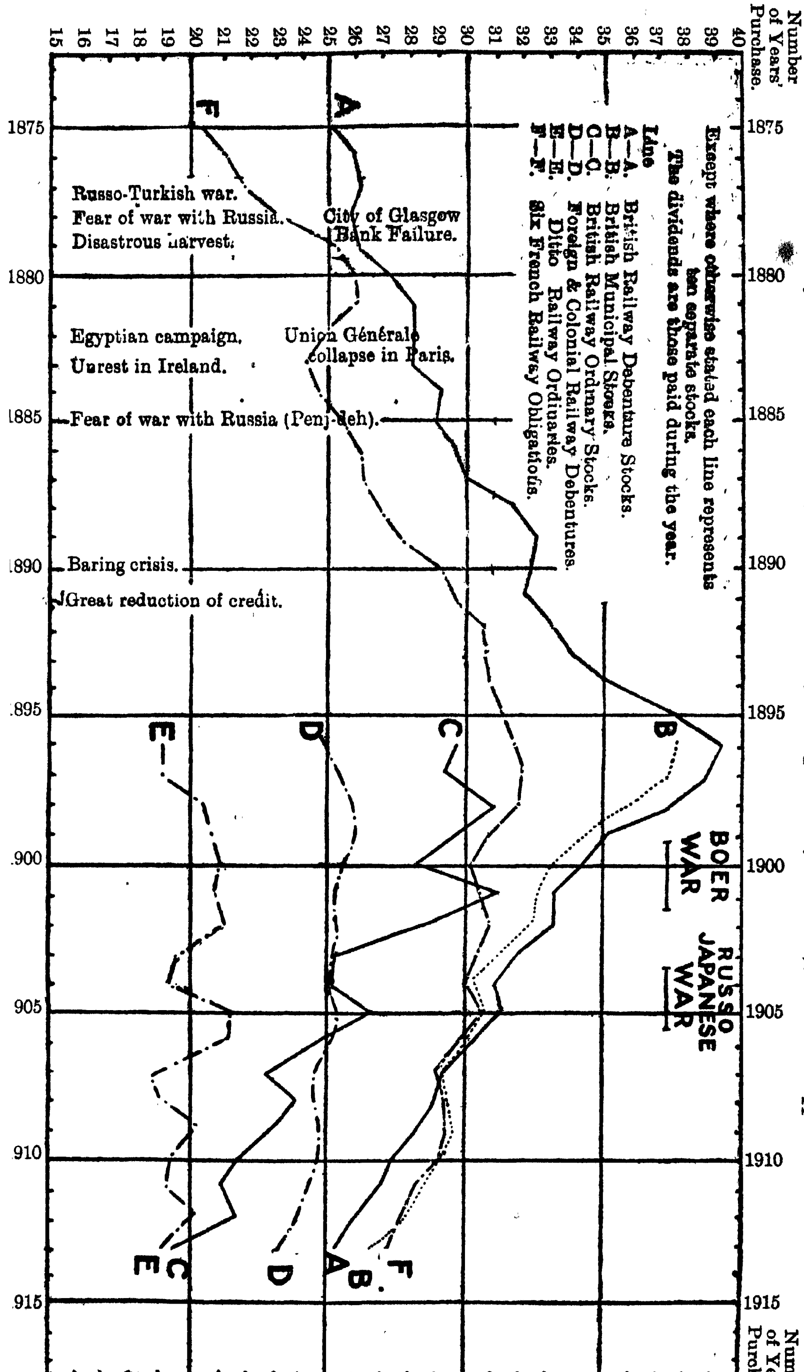
Lord Milner, in his Birmingham address on October 8th last, dealt with the change which we also have been considering. It began, he said, to manifest itself "very gradually at first, but latterly with increasing force." If we confine our attention to the foreign and colonial investments in the diagram, this seems to be a fairly accurate description of what has happened; but certainly it does not fit what our diagram shows to have been the fate of the British stocks. In their case the change came very suddenly, and its direction downwards has been both rapid and, as regards fixed-interest stocks, generally steady ever since.

There would therefore seem to be ground for believing that there must be two causes at work: the one affecting British home investments exceptionally, and the other (of more recent appearance) affecting all, though to a lesser extent.

Lord Milner draws attention to the sudden and general

SOME BRITISH HOME INVESTMENTS COMPARED WITH SOME SIMILAR FOREIGN AND COLONIAL INVESTMENTS.

Average Mean Annual Prices (reduced to number of years' purchase of Dividends) ; *see tables on pp. 206–208.*



development of the industrial resources of the world that is characterising the present century. He mentions Germany, Canada and the other self-governing Dominions of the British Empire, South America, Africa, Russia, India, Japan, and "even China," as alike needing capital for that purpose, and he crystallises the resultant economic movement—widely felt and likely to continue —by terming it a "scramble for capital."

It is impossible to doubt that Lord Milner has here put his finger on a fact demanding full consideration when dealing with the subject of these articles; but, on the other hand, sufficient as it may be to explain a movement visible in many widely-separated markets, it does not seem itself adequate to account for the exceptional state of things in this country nor does it suggest that the previous articles require modification. With every effort to discover errors in the statements of fact, and flaws in such argument as has been based upon those statements, no such errors or flaws have been detected and the writer is confirmed in his hypothesis: that it is primarily to the exceptional industrial position of Great Britain that the exceptional depression of her home investments is to be attributed.

Almost wholly dependent as Great Britain's industries are upon her limited mineral resources, the fact that other countries are in possession of superior mineral and other resources, which are being rapidly developed under favouring fiscal conditions, seems enough to account for much that has happened. As soon as that development reaches the point at which the surplus production of protected industry can be sold in neutral markets, a country situated as Great Britain is can no longer command those markets, nor can she negotiate for a privileged position in any of them—or even for most-favoured-nation treatment in some of them. Her trading profits therefore tend to diminish, and her capital tries to find other and more profitable employment.

It now seems unquestioned that this critical point was reached about 1896. Competition then rendered neutral markets less profitable, and British capital has since gone abroad in considerable quantities.

The contemporaneous unrest and emigration of British labour are a natural consequence, and so is the high level of our exports. We can only export capital in the shape of goods, and the struggle to sell large quantities of goods in neutral and protected markets in the face of keen competition means, if it is to be successful,

comparatively low wages at home, producing dissatisfaction and consequent emigration of labour.

Finally, exceptional industrial competition, the growth of taxation, increased cost of living, and the withdrawal of capital from once-favoured home markets, make a combination of adverse influences which seems adequate to account for the exceptional depreciation of British home investments.

A Stockbroker

THE ELASTICITY OF DEMAND FOR WHEAT.

THE writer can remember, as a student, meeting with the "entropy" as a mysterious abstraction, enshrined in the writings of Lord Kelvin and others, but which no one dreamed of vulgarising by the attachment of numerical values. Now every engineer's pocket-book contains tables of the entropy of different substances, and that most useful quantity is made available to the vulgar.

Elasticity of demand, or of supply, as defined in theoretical writings on economics, is an equally important quantity; but when, after hearing about curves of demand, the student comes with the question, "How are these curves obtained?" one has to confess that they are not obtained, but rest in the limbo of abstractions. It would seem, therefore, that the roughest attempt to measure a coefficient of elasticity would be better than none, and would serve to make the concept of more real use. The following is a first attempt at measuring the elasticity of demand for wheat.

The coefficient of elasticity ϵ is defined by

$$\epsilon = -\frac{p}{q}\frac{dq}{dp} = -\frac{d(\log q)}{d(\log p)},$$

where p is the price of wheat and q is the supply, subject to constant conditions of demand.

Now the supply fluctuates from year to year, according to the state of the crops; in order to make the statistics of supply available, they must first be corrected for the annual change in demand. The whole civilised world may be treated as one market for wheat; and the crop (recorded in *Dornbusch*—the original is not available to me) I have taken from Layton's *Study of Prices*, p. 144. It may be assumed, provisionally, that the demand is growing by a constant percentage each year (chiefly on account of growing population), so I put

$$\text{crop} = q \, . \, e^{\alpha t}$$

where t is the time measured from a fixed date (1900 was chosen) and α is a constant. Accordingly, a table was prepared giving

the date and the logarithm of the crop for that year; then the differences in the log. crop between t and $t+5$, $t+1$ and $t+6$, &c., were found. The mean of these differences was divided by 5 and gave 0·0089 as result (common logs.). Next, differences for ten years were treated similarly, and gave 0·0101; and for fifteen-year intervals 0·0093. These three results accord sufficiently well to show that the method is trustworthy: the mean of the three, 0·00943 multiplied by 2·3026 to reduce to Napierian logarithms, gives $0·0218 = a$, or, say, 2·2 per cent. per annum. This is the rate at which the consumption of wheat in the civilised world is growing.

Next the crop numbers were divided by e^{at} to reduce them to the standard date 1900, and the values of q (or, rather, of log. q) averaged. The average between 1888 and 1911 inclusive gave log. $q = 0·551$ (in hundreds of millions of quarters). The individual numbers fluctuated between 0·484 and 0·582. The median is 0·563, the quartiles 0·525 and 0·572, the series being very skew. The standard deviation

$$\sigma_q = \sqrt{\frac{\Sigma(\delta \log q)^2}{n}} = 0·0264.$$

Now, it may not be sufficiently true that the demand for wheat is growing by a steady percentage each year. If this is not the case there should be a difference between the values of q obtained for early and late years. This was tested, and it was found that the average for 1888 to 1899 was 0·549, and for 1900 to 1911 0·553. This trifling difference is probably accidental, and shows that the assumption of steady increase is justified.

There remains, however, the possibility that the increase (2·2 per cent. per annum) is due partly to the demand becoming more (or less) intense, *i.e.*, to a willingness to pay a steadily higher (or lower) price for wheat. This can only be discussed after the record of prices has been considered.

Next, as to the price p. The first difficulty is in the statistics themselves. The quality of wheat fluctuates somewhat, so that a certain error may be incurred in taking the average price realised. This may be checked by comparison with the price of a standard quality, such as Manitoba No. 2. Again, the price in any one town may not be adequately representative of the world price, and statistics from various sources should be compared. It was impossible to me, from lack of material, to carry out this criticism, so I have had to base my results chiefly on the average price of wheat imported into the United Kingdom, as given in the Customs returns. I have also made use of the "Gazette average"

price of British wheat, but the British crop is small, and more liable to fluctuation in quality than that of the world at large, as sampled in British imports.

The next difficulty is that the standard of price is not constant. If no attention were paid to the changes in the value of gold, clearly the fluctuations in the value of wheat would be incorrectly recorded and confused with another fact. On the other hand, the yearly changes in index numbers depend chiefly on good and bad trade, which can hardly be expected to influence the demand for a necessary like wheat. It seems likely that one would be nearer the truth in making a compromise, such as to divide the price by a quinquennial average index number; *e.g.*, to use the average of Sauerbeck's numbers for 1886–7–8–9–90 to reduce the price in 1888. This *a priori* opinion is confirmed by the result of a trial on the price of British imported wheat during the years 1888 to 1911: the standard deviation of the logarithm is:—

	σ_p.
Prices uncorrected	0·059
Corrected by quinquennial index ...	0·043
Corrected by annual index	0·056

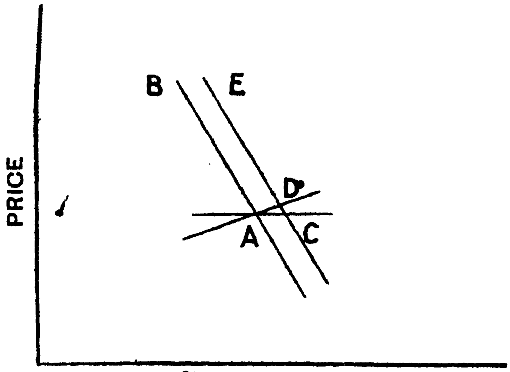
I think these numbers may be taken to indicate that the quinquennial correction comes nearest to the truth, as the effect of two independent sources of error is to produce a standard deviation greater than that due to either alone.

We can now discuss the point left over with regard to the variation in quantity consumed. The average price corrected by the quinquennial index for the first half of the period studied differs from that for the second half by 2½ per cent.; this is no more than a reasonably probable difference in the case of a quantity possessing a standard deviation σ_p, which is of the same order as σ_q mentioned above, so the difference cannot be taken as significant. It shows, on the contrary, that wheat is neither dearer nor cheaper than a quarter of a century ago.

It is perhaps worth while to illustrate the point by a diagram. Let *AB* be part of a demand curve, and *CDE* that for a later date, when the demand has increased in quantity. If *A* represents the quantity and price at the earlier date and *D* at the later, then the growth of demand is not correctly represented by the horizontal distance between *A* and *D*, since the latter point involves a rise in price as well; but the growth in demand is indicated by the length of the horizontal *AC*. Now we have found that the (average) price at the later date is the same as at the former, hence we may rightly conclude that the demand curve is shifted outwards by 2·2 per cent. per annum. On the other hand,

if we were studying the increase in demand for travelling (which, we may suppose, has grown more expensive) or for bicycles (which have grown cheaper), the statistics of increase would need correcting in one sense or the other.

The next difficulty is due to the fact that a good or bad harvest does not produce its full effect on prices instantaneously, there being stocks on hand at all times. Strictly speaking, the price at a given moment does not depend merely on the harvest immediately preceding, but is a function of the stock in hand and the rate at which it has been added to or subtracted from, for a considerable period. This could only be expressed in a rather complicated mathematical form, which we shall not attempt; which, indeed, would probably be too complicated to apply in



practice. But the statistics show unmistakably that it is inexact to omit this, for when two bad harvests occur in succession, the second produces a much larger effect on price than if it had occurred alone. Omitting this complication, however, we may assume that the full effect of a good or bad harvest is shown on the price a certain number of months afterwards, and we have to find how many. This may be tested by means of the coefficient of correlation between the harvest and the price; but to carry out the test we need monthly statistics of price, and those I have not at hand, for foreign wheat. I have therefore made a few tests on the recorded monthly sales of British wheat (*Statistical Abstract for the United Kingdom*). I find the following :—

Coefficient of correlation [1] between the magnitude of the world's wheat harvest and the price of British wheat during the last three months of the same year ...	0·54
,, ,, first ,, ,, ,, following ,, ..	0·71
,, ,, second ,, ,, ,, ,, ,, ...	0·74
,, ,, whole of the ,, ,, ...	0·70

[1] That is $r = \dfrac{\Sigma \delta \log p \,.\, \delta \log q}{n\sigma_p \,.\, \sigma_q}$.

These tests are inadequate and should be repeated on a larger mass of data, but so far as they go they serve to show that the effect on price takes the best part of a year to mature, and that to compare the harvest of one calendar year with the mean price during the next is a reasonable method for finding the elasticity of demand. The correlation coefficients are derived from short series (fifteen years only); lower values are found when the whole period of twenty-four years is taken; but the coefficient is good, in any case.

Price of English Imported Wheat, and World's Crop.

Date	Price year following £ per ton	Sauerbeck's quinquennial index	Price reduced p	log p	δ log p	δ^2 ÷100	log q Reduced at 2·2% to 1900	δ log q	δ^2 ÷100	δ log p. δ log q ÷100
1888	7·67	70·8	10·8	033	+22	5	576	+25	6	+5
1889	7·45	70·8	10·5	021	+10	1	540	−11	1	−1
1890	8·9	70·4	12·6	100	+89	79	554	+3	0	+3
1891	7·7	68·6	11·2	049	+38	14	575	+24	6	+9
1892	6·4	66·6	9·6	982	−29	8	573	+22	5	−6
1893	5·4	64·4	8·4	924	−87	76	570	+19	4	−17
1894	5·5	63·2	8·7	940	−71	51	572	+21	4	−15
1895	6·2	62·4	9·95	998	−13	2	531	−20	4	+3
1896	7·45	63·4	11·9	075	+64	41	512	−39	15	−25
1897	8·02	66·0	12·15	085	+74	55	484	−67	45	−50
1898	6·69	67·8	9·86	994	−17	3	582	+31	10	−5
1899	6·80	69·2	9·83	993	−18	3	525	−26	7	+5
1900	6·62	70·2	9·44	975	−36	13	521	−30	9	+11
1901	6·69	70·6	9·47	976	−37	14	531	−20	4	+7
1902	6·79	70·0	9·71	987	−24	6	579	+28	8	−7
1903	7·01	71·4	9·83	993	−18	4	582	+31	10	−6
1904	7·23	73·6	9·83	993	−18	4	559	+8	1	−1
1905	7·03	74·4	9·47	976	−35	12	572	+21	4	−7
1906	7·69	75·2	10·21	009	−2	0	570	+19	4	−0
1907	8·40	76·4	10·96	040	+29	8	524	−27	7	−8
1908	9·25	77·0	12·01	080	+69	48	524	−27	7	−19
1909	8·39	78·0	10·75	031	+20	4	572	+21	4	+4
1910	7·94	80·2	9·90	996	−15	2	566	+15	2	−2
1911	8·47	82·0	10·32	014	+3	0	547	−4	0	−0
Sum						45,300			16,700	12,000
Mean				1.011			·551			
						$\sigma_p=43$			$\sigma_q=26·4$	$r=0·44$

$$\epsilon = \frac{26·4}{43} = 0·6$$

Next comes the question of interpreting the statistical results themselves. The quotient $\frac{\delta \log q}{\delta \log p}$ for any given year may assume a preposterous value on account of the denominator being, accidentally, close to zero; and if the reciprocal be taken, the

same objection holds. Hence we cannot, in this way, get a proper set of values for averaging; and it seemed to me that the best way to deal with the deviations of p and q was to take the ratio between their standard deviations; that is, to write

$$\epsilon = \frac{\sigma_q}{\sigma_p}$$

$$\text{where } \sigma_q = \sqrt{\frac{\Sigma(\delta \log q)^2}{n}} \text{ and } \sigma_p = \sqrt{\frac{\Sigma(\delta \log p)^2}{n}}.$$

In support of this view I am glad to be able to quote the opinion of Dr. G. D. Maynard, with whom I have discussed the problem.

In the end, the values of ϵ found vary a good deal; but not more than might be expected from the inadequacy of the material. I am inclined to think that the method is capable of results of some accuracy. The lowest value I have obtained is a little below one-half, and the highest rather over three-quarters. The table below reproduces the most trustworthy series, from which is taken the final result:—

$$\epsilon = 0{\cdot}6.$$

R. A. LEHFELDT

JOHANNESBURG, *Dec.* 1913.

THE ASSESSMENT OF WAGES IN THE WEST RIDING OF YORKSHIRE IN THE SEVENTEENTH AND EIGHTEENTH CENTURIES.

THE publication of the Quarter Sessions Records for the North Riding of Yorkshire, about a quarter of a century ago, brought forth evidence which proved that the regulation of wages by the justices of the peace was more or less systematically effected in that part of England during the seventeenth century. The Records contain an actual assessment,[1] frequent references to others, and numerous instances of the punishment of offenders. In 1680–1, for instance, there was a special outburst of judicial zeal, and no less than sixty-nine masters and their servants were summoned before the magistrates, for having paid higher rates than those set down in the last assessment.[2] Earlier in the century there were cases of men who refused to work at the statutory rates,[3] and of employers who declined to state the amounts they were paying to their servants.[4] Similarly, the Records abound in prosecutions of persons who had been carrying on some branch of trade or industry without having previously served a seven years' apprenticeship, and so it is evident that the North Riding justices were well aware of, and did actually attempt to administer the clauses of the Elizabethan labour code.

An examination of the West Riding Sessions Records brings one to the same conclusion concerning that portion of the county. Thorold Rogers can only have made a very cursory inspection of these manuscripts, for the first wages assessment which he recorded was that issued in 1703, and renewed in 1704–5–6–7–8 and 1722.[5] The West Riding documents scarcely merited such scant attention, and a more thorough examination of their

[1] *Quarter Sessions Records*, April, 1658, Thirsk, Vol. vi., p. 3.

[2] *Ibid.*, vii., 34, pp. 45–7; *e.g.* Bedale, Jan. 1681. An Appleby yeoman for agreeing to give his dairymaid £2 10*s.* 0*d.*, which was more than he ought to give, or she ought to receive.

[3] *Ibid.*, ii., pp. 202 and 220. [4] *Ibid.*, ii., p. 207.

[5] Thorold Rogers, *History of Agriculture and Prices*, vii., p. 610 *et seq.*

contents would have brought ample reward. The Sessions Records for the West Riding run continuously from 1637 to the present day, and there are probably volumes for an earlier date in existence somewhere. These early books have not yet, however, been located, with the exception of those for the years 1597–1602, which have been published. But the Records from 1637 onwards are in the hands of the Clerk of the Peace at Wakefield, and are generally accessible. From them it is possible to trace in some detail the story of the assessment of wages throughout the seventeenth and eighteenth centuries, and thus to throw a little more light on what is still a difficult problem

The earliest assessment in existence for the West Riding is dated 1647, but wages lists had been drawn up at least forty years previously. The great Act of 1563[1] had probably called forth assessments from the local justices, but none of these seems to be extant. The revision of this Act in 1603[2] affected Yorkshire in particular, for the new statute, finding that the earlier provision had "been . . . beneficiall for the commonwealth," but that there was some doubt as to whether it ought to apply to other than agricultural labourers, now defined the field of regulation. The new definition made it quite clear that assessments were to be made, not merely for farm workers, but also for "any labourers, weavers, spinsters, and workmen or workwomen whatsoever" either working by the day, week, month or year, or taking work to be done "in great," or according to piece rates. Thus the wages of workers in wool were now quite definitely within the purview of the justices, an important matter so far as the West Riding was concerned. The new Act was also of importance in that it was based on the supposition that the local magistrates would fix minimum rates of payment for the textile industry, and therefore it declared that any clothier who refused to obey the assessment, or who did not pay so great wages to his weavers and spinners as were set down in the assessment, should be fined ten shillings for every such offence. Further, the Act forbade any justice who should happen to be a clothier to assist in the assessment of wages for the cloth trade.

In accordance with this enactment, the West Riding justices framed an assessment, and handed it out to the constables to be circulated amongst the employers of labour. Either the constables did not do their duty, or the clothiers and others paid no attention to the assessment, for in November, 1604, three of the more conscientious justices launched forth a condemnation of "the many

[1] 5 Eliz., c. 4. [2] 2 (vulgo primo) Jas. I., c. 6.

complaints arisseinge betwixt masters and servants . . . through the negligence of the Chiefe and Petty Constables, who do not obey the law as they ought to." The constables were therefore ordered to arouse themselves, make the assessment known, and bring all offenders to justice.[1]

To what extent assessments were issued during the next forty years it is impossible to say, until the missing records are discovered. But when we get to 1641, we are henceforth on firm ground. At the Easter Sessions of that year, a wages list for the Riding was issued, and the constables, as usual, were instructed to make its provisions known to all and sundry. This assessment may have contained a thorough revision of previously existing rates, but more probably it was only a confirmation and re-issue of a former assessment. Six months after the proclamation, it became evident that the rates which had been fixed were being disregarded, and at the Doncaster Sessions (October, 1641) there was a general complaint "that servants refuse to worke for reasonable wages, and cannot be hired for competent allowance, as formerlye, makeinge advantage of the much busnies of the times." The justices, "takeing into consideracion the many inconveniences that now doe and are like to arise therby, if some speedy course be not taken herein," ordered the constables to make a full and thorough proclamation of the rates, and of the penalties for disobedience, after which they were to bring for punishment all such persons as they found "refractorye in not observeing thereof, either . . . master or servant. And all such persons to be apprehended and carried before the next Justice of Peace to be bound to the next Sessions to answeare their Contempt and be further dealt with according to lawe and justice."[2]

One point of special interest arises out of the above incident. The assessment issued at Easter, 1641 is not entered in the Sessions Order Book, and no mention whatever is made, in the report on that meeting, of any such wages list being even considered. The assessment was issued, but was not entered in the official report of the proceedings of the Sessions. Obviously, therefore, it was not customary to make a note of every occasion on which assessments were issued, and hence one may presume that many assessments were issued and renewed without such action being placed on record. This supposition is borne out by the evidence contained in the North Riding documents. Here only one assess-

[1] Document printed in *Old Yorkshire*, ii., pp. 41–2.
[2] *Doncaster Q.S.*, Oct. 1641, *Sessions Order Books*, *A*, 186.

ment is to be found, and yet, from the various references, it is apparent that such assessments were numerous. Thus, in short, an absence of recorded assessments must not be taken to indicate negligence or inaction on the part of the justices. The consideration of the wages question was an annual occurrence, and became part of the routine of the Easter Sessions. If no revision was deemed necessary, last year's assessment was confirmed and re-issued, no entry being made in the Sessions Order Book. If the wages figures were altered, then the whole of the revised list was entered up in the official minutes.

During the years which followed, the West Riding was too severely harassed, by plague and civil strife, to pay much attention to matters of wages. When, by 1647, some measure of peace had been restored, the justices turned their energies once more to the regulation of the rates of remuneration to be paid in the Riding. At the Pontefract Sessions, April 27th, 1647,[1] the following comprehensive assessment was issued :—

"*Pontefract, xxvij. Apr. xxiij°. Car. I.*

"A proclamacion of the Rates and appointment of the Severall wages for Artificers, handycraftmen, husbandmen, Laborers, Servants, workemen, and apprentices of husbandry within the Westridding of the County of Yorke, made and agreed upon by the Justices aforenamed, the day and yeare abovesaid, According to the Teno^r^, forme, and effect of the Severall acts of parl^t.^ in that Case made and provyded.

"*Servants and Artificers of husbandry.*

"A Bailiffe or foreman of husbandry that is hyred with a Gentleman or rich yeoman, that doth not labour himself, but putteth his whole Charg to his Servant, shall not tak by the yeare above iij$^{li.}$ x$^{s.}$, and a Livery, or x$^{s.}$ for it.

"A Chiefe Servant in husbandry to a yeoman or husbandman, that can mowe and sowe and do other husbandry well shall not take for his wages with meat and Drink above iij$^{li.}$

"A Milner that is skilfull in the mending of his Milne shall have by the year iij$^{li.}$ vj$^{s.}$ viij$^{d.}$ and others y^{t} are not soe skilfull shall have by the yeare ij$^{li.}$ x$^{s.}$

"An ordinary Servant in husbandry that can mowe and plowe well, shall not take for his wages by the yeare above ij$^{li.}$ x$^{s.}$. And and other Comon Servant in husbandry shall not take by the yeare above xxxv$^{s.}$

[1] *Pontefract Q.S.*, 27th April, 1647, *Order Book, C*, pp. 10–11.

"A Younge man between the age of twelve and eighteene yeares shall not tak by the yeare with meat and drink above xxiij$^{s.}$ iiij$^{d.}$

"A wooman Servant that taketh Charge of Brewing, bakeing, Kitching, milkhouse or malting, that is hyred with a Gentleman or with (a) yeoman whose wife doth not take the paines and Charg upon her, shall not take wages by the yeare with meat and Drink above xxx$^{s.}$

"A Wooman Servant That Serveth a husbandman or ffarmer or any other wooman Servant shall not take by the yeare with meat and Drink above xxv$^{s.}$

"*Harvest worke.*

"A mower of grasse and Corne shall not take by the day with meat and drink above v$^{d.}$, without meat and drink x$^{d.}$

"A shearer or bynder of Corne shall not take by the day with meat and drinke above iij$^{d.}$, without meat and drinke not above viij$^{d.}$ And for mowing of an acre of Corne without meat and drink not above x$^{d.}$

"A Haymaker, weeder or lowker of Corne, being a man shall not take by the day with meat and drinke above ij$^{d.}$, without meat and drinke iiij$^{d.}$, and a wooman shall have with meat and drinke j$^{d.}$ ob. (*i.e.*, $1\frac{1}{2}^{d.}$), and without meat and drink iiij$^{d.}$

"*Laborers of Husbandry.*

"Every man Laborer for ditching, paleing, raileing, hedging, threshing and other comon labors, from the feast of All Saints to the first day of March shall not take for wages by the day with meate and drink above ij$^{d.}$, and without meat and drinke not above v$^{d.}$ And from the first day of March untill the feast of All Saints not above iij$^{d.}$ by the day with meat and drinke, and without meate and drinke not above vj$^{d.}$

"Threshing of a Quarter of hard Corne not above x$^{d.}$, a Quarter of peas and Beanes not above viij$^{d.}$, for a Quarter of Barley not above viij$^{d.}$, for a Quarter of Oates not above vj$^{d.}$, without meate and drinke.

"Noe man shall for Casting or setting any ditch (haveing the quickwood ready laied besyde him), which ditche is more than one yeard or one yeard and a quarter broad and a yeard deepe, above vj$^{d.}$ for a Roode, and when the ditch is bigger or lesser, more or lesse according to the quantity and Rate.

"Noe man that skowreth a ditche three spades breadth and two depth shall take for one Rood Skowreing above ij$^{d.}$, and for

makeing one spade gripp in breadth and depth for every Roode not above ob.

"Noe man shall take for makeing of a Rough dry stone wall, haveing the stone layed by him, which wall is one yeard and a half highe, and half a yeard thick above viij$^{d.}$ a Roode, without meat and drink.

Artificers and Handicraftsmen.

"A Maister Mason that taketh Charg of a man's building, haveing under him or them one, two or three men that have beene two or three yeares at the occupacion, shall not take for wages for himselfe by the day at any tyme of the yeare, with meat and drink above vj$^{d.}$, and without meat and drink not above xij$^{d.}$ And for every one that worketh under him, hee shall not take by the day with meat and drinke from the feast of St. Michaell Tharchangell to the xxvth day of March not above iij$^{d.}$, and without meat and drinke not above vj$^{d.}$. And from the xxvth day of March untill the feast of St. Michaell Tharchangell with meat and drink not above iiij$^{d.}$, and without meat and drink not above viij$^{d.}$

"A Master Carpenter who taketh Charg of building that hath one or two or three men under him that have beene two yeare at the Scyence, shall not tak for wages by the day without meat and drinke above xij$^{d.}$; and with meat and drink not above six pence.

A Master or other That hath but one man or none, and that are not maisters of a Charg of a building but of other worke, or hewing, Squareing, walling or Such like, or Plumber, Glasyer, Lyme burner, Cowper, bricklayer, Thacher, Turner, brick maker, Slater and Tyler, Shall not take by the day for wages with meat and drink from the Annuncyacion of the blessed Virgin Mary untill Michaelmas above iiij$^{d.}$, and without meat and drink not above ix$^{d.}$, and from the feast of St. Michaell Tharchangell untill the xxvth Day of March with meat and drinke not above iij$^{d.}$, and without meat and drink not above viij$^{d.}$ Except Thatchers, who may take iiij$^{d.}$ by the day, throughout the whole yeare, with meat and drink.

"A maister Taylor That shall make Gentlemen and Gentlewomen their apparrell shall not take by the day with meat and drinke not above iiij$^{d.}$, and his Servant ij$^{d.}$.

"*Cloathworkers and Dyers.*

"Noe Weaver, ffuller, Cloathworker, Shereman or Dyer Shall not take for his wages above iiij$^{d.}$ with meat and Drinke, and

without meat and Drinke viij[d.]. And if hee be hyred by the yeare, if hee bee a very Skilfull workman in these Sciences, hee shall have iij[li.] per annum. And other comon Weavers, Cloathworkers, Shearemen, ffullers, and Dyers shall not have for their wages above ij[li.] x[s.] yearely.

"*Collyers.*

"Noe Collyer or workeman that is skilfull in getting of Coales shall take wages by the day without meat and drink above x[d.].

"Noe filler or barrower of Coales shall take for his wages by the day without meat and drink above vj[d.].

"Noe banksman or drawer up of Coales shall take for his wages by the day without meat and drinke above viij[d.]

"Itt is ordered at the abovesaid Sessions That the said Proclamacion bee made and published according to the Statut, by the Sheriff of the County of York, and that the said Severall Rates bee duely observed within the said Westridding upon ye seuerall paines and punishments to bee inflicted against those which shall offend the lawes and Statutes of this Realme in that beehalf made. Given under our hands and seales in the said Sessions at Pontefract the xxvij[th] day of Aprill in the said xxiij[th] yeare of the Raigne of our Soveraign Lord King Charles I[st.].

"C. FAIRFAX, RO. BARWICK, JOHN SAVYLL DE METHLEY,
"HEN. TEMPEST, DARC. WENTWORTH,
"W. ARMITAGE, THO. BOYNTON,
JOHN HEWLEY."

Then follows a proclamation, as from the King, to the Sheriff, containing instructions for the publication of the assessment. The chief clause reads as follows:—"These are therefore to comaund you that (according to the Teno[r] of the said Statute) you forthwith cawse the same Rates in the . . . Schedule . . . to bee proclaymed and published in all markett Townes and other publique places of meeteing within the said Westridding, That all personnes within the . . . Ryding may take notice thereof, and Conform themselves thereto, under the paines and penalties in the said Statut mencioned to be inflicted upon those that shall refuse to yeild obedyence thereto. ffayl not thereof." [1]

[1] *Pontefract Q.S.*, 27th April, 1647, *Order Book, C*, p. 10-11. In the above transcript, contracted words have been filled in to the complete length. The original copy is badly broken at the edge of the leaves, and some words are entirely missing. These have been filled in from the assessment of 1662, which is identical with that of 1647. The letter "v" has been used above, in place of "u," which is to be found occasionally in the MSS.: *e.g.*, "have" for "haue," and "severall" for "seuerall."

There are numerous points of interest in this assessment. The first is its comprehensiveness. It touches most of the occupations of the Riding, and embraces not only the farm hands, but also the building trade, tailors, colliers, and workers in wool, a list which nearly covers the whole field of employment in the seventeenth century. True, there are omissions, as for instance the iron and cutlery workers around Sheffield, spinners (of whom there were many thousands), and one or two other classes. But with these exceptions, the assessment made a thorough attempt to regulate the rates of payment for all the wage-earning population within the limits of its jurisdiction

Secondly, the wages of agricultural workers are ordered with the greatest minuteness, with variations according to the status of the employer, and the consequent amount of work or supervision which he might be expected to do himself, with differences according to age, sex, and skill, with summer and winter rates, with time or piece rates according to the nature of the work which was to be done, and with higher wages for the busy "overtime" season of harvesting.

Thirdly, note that in each case the maximum figure is fixed. In no class is any minimum laid down, but always the highest rate which can be paid. "Shall not take above" is the ever-recurring phrase, the keynote of the proclamation. There was nothing to prevent the master from paying as little as he could succeed in persuading the labourer to accept; the only business of the justices was to see that he did not pay too much. This was in accordance with the tenor of most other assessments of this period, though it was scarcely in agreement with the letter or the spirit of the statute of 1603. The statutes had been vague as to the exact nature of the wage list which they wished to be drawn up. The Act of 1563 had intended to guarantee to the hired person "both in the time of plenty and in the time of scarcity a convenient proportion of wages." This might mean the establishment of a maximum rate, or a minimum, or it might imply the fixing of a definite figure, above or below which it would be illegal to trespass. The Act of 1603 was more precise in one respect, in that it demanded minimum rates for the textile industry, and stated the penalties which were to be inflicted upon those clothiers who did not pay to their workpeople "so much or so great wages" as were ordered by the justices. In actual practice, however, the justices confined their attention almost entirely to the assessment of maxima. There are some few cases of magistrates fixing minimum rates for clothmakers in various

parts of the country, and at times the Privy Council interfered to compel the local justices to assess minimum wage lists for textile workers.[1] But by 1640 the power of the Privy Council had practically disappeared, and hence there was no central body which would supervise the activities of the local authorities as the Privy Council had done. Under these circumstances, the consideration of a minimum rate seldom, if ever, came into play after the Civil War, and all cases of punishment in the West and North Ridings of Yorkshire were those of masters who had paid, and servants who had taken, higher wages than those allowed by the assessments. The clause relating to workers in wool in the above assessment contains no reference to a minimum rate, such as should have been there in accordance with the statute of 1603. Similarly the orders given to the constables in 1641 (see above) clearly show the attitude of the West Riding justices, and there can be no doubt that the real motive which lay in their minds, when issuing any assessment, was to prevent employees from taking advantage of a temporary or permanent scarcity of labour to extract any substantial increase in wages.

Fourthly, it is interesting to observe the relation between the wages allowed to the various industries and to agriculture. The textile industry of the West Riding was now of considerable importance, and the districts around Leeds, Wakefield, and Halifax were inhabited by a population which earned its livelihood chiefly by cloth-making. The broad cloths of Leeds and the kerseys of the Halifax area commanded a large sale at home, and were the staple commodities of the foreign trade which passed through the hands of the Merchant Adventurers and Eastland Merchants of York and Hull. The markets of Leeds and Wakefield were thronged with merchants from all parts of the country, and during the Civil War the Parliamentary party found one of its strongest sources of support in the clothing population of the West Riding. The district and the industry suffered very heavily during the years of warfare and pestilence which came between 1640 and 1647, but in spite of these calamities the manufacture and sale of cloth was still a source of great wealth to the inhabitants of the Riding. The mining industry was not nearly so important, and the seventeenth-century coal-pits were small and primitive. But in spite of these facts, the cloth-maker did not comprise the aristocracy of labour in the district. The "very skilfull" weaver or fuller was to receive less than the

[1] E. M. Leonard, *English Poor Relief*, pp. 160–3; also letter from Mr. R. H. Tawney to present writer.

skilful collier, less than the higher grades of farm servants, less even than the mower of grass or corn. The superiority of mining over textile wages has continued to the present day, and is probably due to the presence of a strong female element in the textile trade, whilst such an element has always been absent from coal hewing. The cloth weaver was not the sole supporter of his family. His wife and children were all potential wage-earners, and could be set to work sorting, carding, and spinning wool. Hence the family was not dependent upon the earnings of the father alone, a fact which would help to keep the weaver's wages lower than those of the collier. The high wages paid to harvest workers are explained by the fact that agricultural labour was not over-plentiful, and that there was always a shortage of hands when harvest time came round. The high rates which were offered had the effect of drawing to the agricultural areas large numbers of men and women from the industrial population of the county. The weaver laid aside the shuttle and, often with wife and the elder children accompanying him, went away eastward to the Vale of York or the East Riding, there to assist in the haymaking and harvesting. This annual excursion served as a summer holiday, a holiday for which the weaver was paid more than he could earn by working at the loom.

From the other rates in the assessment, we see that the heads of the building trade were well paid, whilst the master tailors who made the clothes of the justices of the peace and other gentry of the county, along with the lowest grades of agricultural labour, were assessed at a low rate.

Lastly, it is somewhat surprising to find the weavers grouped along with the other textile workers under a *time* rate, of not more than eightpence a day. For the dyers, fullers, cloth-dressers, and shearmen a time rate would be natural, for their work was of such a nature that it would be well nigh impossible to pay them according to the amount of work actually done. Similarly, those weavers who were hired by the year, and who lived with the master, working all day long in his loom shop, could be paid by a time rate, because they spent the whole of their time in the service of their master. But a large proportion of cloth was woven by men, who, though employed by a clothier, carried on their occupation in their own homes. These men were usually in possession of a piece of ground, and combined the cultivation of their patch of land or the tending of live-stock with their work at the loom. At times, these men were compelled to suspend textile operations through lack of yarn, and

so their weaving might be interrupted, either voluntarily or compulsorily. Under these circumstances, one would have supposed that the justices would have stated a piece rate of payment for weavers, and limited the amount which was to be paid for the weaving of each cloth. In actual practice, the piece rate system was general, and we shall see shortly that this rate was well within the limits laid down by the assessment. It seems probable that the assessment figures were framed with definite relation to the amount which a weaver could earn daily, when paid by the piece.

Now to turn to the subsequent history of the assessment. The whole schedule was renewed and confirmed in 1649,[1] "in every particular as formerly," and remained in force until the Pontefract Easter Sessions of 1662.[2] In this year it was re-issued *verbatim* as before, without the alteration of a single item. In the next re-issue, that of 1671,[3] two facts stand out. In the first place, the textile clauses have entirely disappeared. All the other classes are dealt with as before, but of weavers, fullers, and kindred occupations there is no mention, and the section previously devoted to "Cloathworkers and Dyers" is deleted. No reason or explanation is vouchsafed, and we can only conjecture what were the motives for the omission. Two possibilities suggest themselves. Firstly, in this assessment the justices revised the rates of payment, and made a general increase in the maxima for most occupations. It may have been that difficulty was experienced in revising the rates for cloth workers; the time rate figures seemed out of place for an industry which was to a great extent actually paid by the piece, but any attempt to convert the time rates to piece figures would have raised many difficulties, and would have necessitated the compilation of an elaborate schedule, in order to cover the large varieties of cloth and conditions of employment which were to be found in the industry. Another possibility is that the heads of the clothing trade were averse to any increase in the wages lists. The broad-clothiers of the Riding were at this time organised in a Company or Corporation for the better regulation of their branch of the industry.[4] It is quite possible that this association of masters had expressed its disapproval of any such revision or increase of the rates which might be paid to employees. One, or perhaps both, of these causes was at work; either it was the difficulty of readjusting the wages on a piece rate which would allow an

[1] *Order Book*, *C*, p. 11. [2] *Ibid.*, *F*, pp. 76–9. [3] *Ibid.*, *H*, pp. 85–7.
[4] *Statute*, 14 *Charles II.*, Ch. 32 (1662).

increased maximum earning, or it was the opposition of the master clothiers, or both. From this time forward, the wages of the cloth trade were thrown open to individual bargaining, and we shall see shortly that the immediate result was not an increase in the rates of payment.

Secondly, as stated above, there was a drastic revision of the rates of maximum payment, and a general increase, especially for skilled labour. The bailiff's allowance rose from £3 10s to £4 10s., the skilful miller from £3 6s. 8d. to £4; the tenpenny maximum was increased to a shilling, and there were other similar advances. The lower grades did not all benefit by this revision; for instance, the tailor, the filler and barrower of coal, the ditcher, the thatcher, and one or two others were allowed no increase; but for the remainder there was an advance varying from one-fifth to one-quarter, and in some instances amounting to 100 per cent. on the former maximum.

The assessment was re-issued in full, in 1684, 1695–6, 1700, and 1703, the last of these revisions being that printed by Thorold Rogers.[1] In these assessments there is little or no change from the rates of 1671. The filler of coal went from 6d. in 1671 to 8d. in 1684, and to 10d. in 1695, and in the latter year the shearer and binder of corn was raised to one shilling, thus ranking equal to the mower. There are re-divisions of the various classes, and new classes are introduced, such as the master millwright, who in 1684 was to be paid not more than 18d., the highest daily rate permitted to any man. Apart from these minor alterations, the list remained as it had been for thirty years, and the rates of 1703 were the same as those of 1671.

The chief difference between these various re-issues lies in the additions which were made to the appendix on each occasion. The justices were doing their utmost to enforce the observance of the assessment, and from 1671 onwards each re-issue was attended by an ever-growing appendix and series of instructions to the constables and all concerned. The first of these detailed schedules was appended to the 1671 assessment, and read as follows :—

"1. Noe Master shall turn away his Serv$^{t.}$ without Lawfull Cawse to be allowed by a Justice of peace, or a quarter of a yeare's warning, given before the end of his Tearme under the forfeiture of fforty shillings.

"2. That noe Serv$^{t.}$ shall departe from his Master's Service

[1] *Order Books*: *K*, 123–4 (1684); *M*, 75–7 (1695); *M*, 110–12 (1696); *N* 61–3 (1700); *N*, 161–4 (1703).

without Lawfull cawse or a Quarter of a yeare's warneing given before two witnesses before the end of his Tearme, under payne of Imprisonment.

"3. That noe Master shall give greater wages than are appoynted by his Ma^{tyes} Proclamacion under the forfeiture of ffive pounds. And that noe Serv$^{t.}$ between Twelve and Sixty yeares of age not Lawfully retained shall refuse to serve in husbandry nor shall take greater wages than are appoynted by his Ma^{tyes} Proclamacion under payne of Imprisonment and being fyned as his offence shall require.

"4. That noe Serv$^{t.}$ shall departe from his service without a Testimoniall according to the Statute under the constable and two honest howseholders hands wheere hee last Lived, nor bee retained without shewing such Testimoniall under paine of Imprisonment. And that noe Master shall retaine a Serv$^{t.}$ without such Testimoniall under the forfeiture of ffive pounds according to the Statute made in the vth year of Queene Elizabeth."[1]

To these instructions was added in 1684 the declaration that twice in the year at least the justices of the peace would require the petty constables to give "an accompt what number of Men and Wooman Servants each Inhabitant within his Constabulary hath, and of what quallity, and what wages every Master gives to every particular Servant." It was also ordered that the wages lists should be published in every market town "betweene the houres of twelve and one upon fower markett dayes together . . . by the Bailiff of the Hundred. And likewise that the Petty Constables goe to every particular family and declare the Contents of these Orders and of the Rates of Wages. And that those Orders and Rates be by the severall Constables of every Church and Chappell Tower fixed upon the said Church or Chappell doores."[2] In 1695[3] the exact form of the testimonial was added, and so gradually the assessment came to be followed by a full statement of the wages clauses of the Elizabethan Act, and an elaborate description of the methods and machinery for administering that Act, such as is printed by Rogers in the assessment of 1703.

The question now arises, to what extent were these clauses actually enforced and obeyed? To give an answer to this question, based on actual documentary evidence, is difficult, in the case of Yorkshire as in most other counties. The search through half

[1] *Order Book, H*, 369 (1671). [2] *Ibid., K*, 124 (1684).
[3] *Ibid., M*, 77 (1695).

a dozen volumes of indictment books revealed only one instance of an offender against the statute, in the case of a labourer who had left his situation before the end of the time for which he was bound by contract to his master.[1] A careful examination of the fifty volumes which cover the seventeenth and eighteenth centuries might reveal other instances, similar to those found in the North Riding Sessions Records. But even if there were no recorded cases, this would not necessarily imply that the assessments were dead letters, but rather that the wages which were being paid were within the limits prescribed. The justices had fixed a maximum wage, with no mention whatever of a minimum. It would not matter how low wages were, provided they did not rise above the statutory maximum. The fine which hung over master and servant alike would be sufficient to deter men from making any general or concerted demand for increased rates of payment. The piling up of regulations at the end of the assessments probably indicated that the constables were occasionally negligent in the discharge of their duty, and that the rates were in some cases being disregarded. But it also meant that the justices were determined to enforce the clauses, and that they were fully aware of the power which lay in their hands. The same justices were continually enforcing the more important apprenticeship clauses of the Elizabethan Act, and were levying fines of £2 per month upon those who had set up in any occupation without having served the legal period of seven years. It was to the independent master's interest to attempt if possible to set up as a clothier, builder, carpenter, etc., without having served so long a period of training, provided he could evade the vigilance of the local constable. But the wages problem was an entirely different matter, in that there would be no incentive to pay higher wages, unless confronted with a scarcity of labour, and even in that case the law would protect the master from extortion on the part of his workpeople. Further, in the textile industry there was a period of comparative stagnation and depression between the Restoration and the end of the century, a fact which would not be favourable to any increase in the wages of that industry. Thus one does not expect to find numerous instances of offences against the assessment, since by its very nature and by its threats of penalties, the Act was an easy one to obey.

The history of the assessment throughout the eighteenth

[1] *Indictment Book, B*, Oct. 1648. The offence was: "Discessit a servitio suo ante finem termini."

century is largely that of a decadent institution. Up to about 1730, the wages lists were being enforced. The list of 1703 was re-issued or confirmed almost every year up to 1732. In that year it was again proclaimed in full,[1] without any alteration in the rates fixed, and in every detail resembling the issue of 1703. Thus the wages allowed in 1732 were the same as those permitted by the assessment of 1671. The issue of 1732 was the last one of importance, and from that time onwards all life slowly ebbed out of the system. In 1733 the assessment was renewed *in toto* "without any alteration or variance therein, so that there may be no need of reprinting the same,"[2] in other words, to economise on the printer's bill. Year after year throughout the century a formal renewal was effected, and the wages of servants and artificers were ordered to be the same for the year ensuing as they "were appointed, set, and allowed, at Pontefract Sessions One Thousand Seven Hundred and Thirty Two." Never a year went by without the justices at the Pontefract Easter Sessions solemnly renewing the assessment. The eighteenth century gave place to its successor, and still the practice continued. In 1812 the rates were ordered to be as in 1732;[3] in the following year comes a blank, and the obsolete custom was at last entirely abandoned.

For three-quarters of a century it had been a shadow without substance. The seventeenth century had been a century of great economic vicissitudes for the West Riding; there had been many ebbs and flows, and considerable periods of lassitude. With the advent of the eighteenth century all this had been changed, and though the new century was not without its depressions and hard times, on the whole economic progress was very marked in agriculture, mining, and cloth-making. This prosperity had a considerable effect upon wages, and the assessments were generally disregarded. A comparison of the actual wages with the assessment allowances shows the desuetude into which the State regulation had fallen. Take, for instance, the figures of Arthur Young and Marshall, and contrast them with the assessment rates:—

	Young (1770)[4] *or Marshall* (1788).[5]	*Assessment of* 1732.
Colliers	7/- to 9/- per week	Max^{m}. 6/- per week
Headman on farm...	£9 to £12 per ann.	,, £3 10*s*. 0*d*. to £4 10*s*. 0*d*.
Ploughman	£7 to £8 ,,	,, £3 0*s*. 0*d*. per ann.
Maidservant	£2 to £4 ,,	,, 20/- to 30/- ,,
Harvest Work, Men	1/- to 1/6 per day, with meat and drink	,, 6*d*. per day, with meals.
,, ,, Women	8*d*. to 10*d*. per day, with meat and drink	,, 4*d*. ,, ,,

[1] *Order Book, S*, pp. 200–204. The assessment was usually followed by a list of carriers' rates.

[2] *Order Book, S*, p. 248.

[3] *Ibid.*, *UU* (Pontefract Q.S., Easter, 1812).

[4] Young, *Northern Tour, passim*, especially iv., p. 445.

[5] Marshall, *Rural Economy of Yorkshire*, Vol. ii. *passim*.

To what extent the increase was due to progress in industry and agriculture, and to what extent it was due to the abandonment of regulation by the justices, one cannot estimate. Doubtless both had their effect, but the increase in wages was now much more possible when the magistrates ceased to enforce their assessments.

At the same time, though tacitly admitting the right of individual bargaining between master and man, the justices did not altogether neglect the wages question, but gave a considerable amount of attention to checking the combinations of labour which were being formed for purposes of obtaining improved labour conditions and higher wages. The organisation of the eighteenth-century woollen industry was somewhat loose and vague, but in the worsted industry and in the cloth-finishing branches (the latter chiefly grouped together in the towns), there was a well-defined capitalist system, with clearly marked classes of employer and employed. Under such conditions, more or less spasmodic organisations of labour were inevitable, and disputes, chiefly of a small and local character, arose from time to time. In these matters the magistrates kept a sharp look-out, and brought their hand down heavily upon any attempt on the part of combinations of labour to obtain increased wages. To take one out of a number of cases, in 1706, six cloth-dressers of Leeds, apparently in the employ of different masters, joined together in the decision not to work henceforth for any master who should refuse to pay them $1\frac{1}{2}d.$ an hour, in place of the penny which they had been accustomed to receive. The conspiracy was discovered, the workmen were called before the Leeds Sessions, and very heavily fined.[1] Similar instances of the punishment of actual or potential strikers are to be found throughout the century, and in this manner the local justices indirectly controlled the wages problem.

Turning from the assessments to the actual wages which were being paid to workers in the various occupations, we are confronted with a scarcity of data. A few facts, however, are available from the evidence given in some law-suits of the seventeenth century and from one or two other sources, which throw light upon the rates paid in the textile industry. There is extant a document relating to some scheme for establishing a cloth-making venture at Skipton, in 1588. This scheme was to provide employment for sixty persons, and details are supplied as to the general rates of payment for the various classes of textile workers in the districts of Leeds and Halifax.[2] From this scheme, and from the

[1] *Leeds Q.S. Books*, Vol. ii., p. 300.
[2] Kenyon MSS. Hist. MSS. Comm., Report, App. xiv., Part 4 p. 573.

evidence given in the trials of 1638 and 1676,[1] we know the wages which were being paid during almost a whole century. The weaver was paid by the piece, receiving a certain amount for each cloth he wove. This payment in 1588 amounted to 20*d.* for each kersey, a cloth of about 13–16 yards in length and one yard in breadth ; whilst in the Leeds area 3*s.* 4*d.* was paid for the weaving of a "dozen," *i.e.*, a broad-cloth 12–13 yards by 1¾ yards. These rates had scarcely changed by 1638, and were the general wages paid at the time of the 1638 lawsuit. Now, it would be almost impossible for a weaver of kerseys to make two kerseys in a week, and statements are made in the lawsuit to the effect that one kersey per week was the output of the average weaver. Taking a liberal estimate, it was probable that a kersey maker, putting in full time at the task, could weave about one and a half cloths in a week's time. The weaving, therefore, would bring in about half-a-crown weekly. In the making of "dozens" and other broad-cloths, two men would be required for the work, because of the breadth of the cloth and the primitive method of passing the shuttle from side to side. Two broadcloths a week would be the maximum achievement of these men, when fully skilled men were at both sides of the warp, and so their individual earnings did not amount to above 3*s.* 4*d.* for the six days' labour, or an average of less than sevenpence per day. This was the rate of wages in 1588 and in 1638, and four decades later the earnings seem to have been even smaller. According to the evidence of a witness in the suit of 1676, "the weavers of Cloath can hardly earne five pence a day . . . and find themselves meate, though they be stronge and able to worke." Another man fixed the daily earnings at sixpence, whilst a third declared that "the wages of a Clothier for weaveinge of cloth is but three pence a day besides meate," which may be taken as equivalent to about sixpence. Thus the average daily earnings of the weaver in the seventeenth century hovered round sixpence, and were therefore well below the maximum fixed by the assessment of 1647. It was not until the eighteenth century that the weaver's remuneration crept up to the 7*s.* or 9*s.* per week which was paid in the days of Arthur Young.

The spinners, whose wages were not actually touched by the assessments, were paid on a lower scale than the weavers; and here again the wages of 1588 were the same as those of a century

[1] There were three trials, 1613, 1638, 1676, all relating to the ulnage payable on kerseys, *Excheq. Depos. by Comm.* 14 *Chas. I. Mich.* 21 *York* ; also 28 *Chas. II. Mich.* 29, *York and Lancaster.*

later. Payment was by piece, and the spinner received from 20*d.* to 2*s.* 6*d.* or 2*s.* 8*d.* per stone, according to the quality of the work and the standard of the spinning. It took a skilful worker about a fortnight to spin a stone, and so the earnings of spinners varied from 1½*d.* or 2*d.* to 4*d.* per day, the lower rate generally going to children and young persons, or to adult women in the badly paid areas. The rates of 1588 were identical with those of 1638, when one witness declared that "a spinner may earn, some twopence, some threepence, and the strongest a groat, and none can usually earne more by spinninge for and towards meate and drink and wages." A fellow witness confirmed this statement by declaring that "the ordinary rate of a stone of wool spinninge is eight groat, and a good spinner cannot ordinarily earne above threepence a day towards meat, drink and wages, and the most spinners adle but twopence a day in the parish of Kighley (Keighley)." In 1676 these rates had diminished rather than increased. Witnesses declared that "spinners can scarce earne threepence a day, finding themselves with meat," "a very good spinner can scarcely earne two pence a day, they findinge themselves with meate, a pound of wool of a day being as much as an ordinary person can carde and spinne." Others fixed the wages at fourpence for the best workers, whilst one man declared that in his district (Lockwood), "the wadges for spinninge is not above one penny a day besides meate." During the eighteenth century this pittance improved somewhat. By the time of Arthur Young children and young persons were earning 2*d.* to 4*d.*; adult women were able to earn 4*d.* to 6*d.*, though only by incessant toil, for, as one of James' informants stated, a good hand-spinner in Bradford, by working "from Monday morning to Saturday night, might earne 2*s.* 6*d.*"[1] But before this improvement took place in the eighteenth century, there had evidently been a century of stationary wages, in a period when prices were rising rapidly.

H. HEATON

[1] James, *History of the Worsted and Woollen Manufacture in England*, p. 324.

THE REPORT ON INDIAN FINANCE AND CURRENCY IN RELATION TO THE GOLD EXCHANGE STANDARD.[1]

THE reports by various commissions of inquiry appointed at various times by the British Government contain some of the most valuable materials for economic study in existence. The value to the economist is not diminished, even if the final conclusions of the reports may not be adopted. The report of the Royal Commission on Indian Finance and Currency is a very able document and, with the corresponding evidence, gives materials of the highest interest at the present time for the student of the principles of monetary theory and their practical illustrations in the most modern forms. A large part of the Report is substantially in accord with the treatment by Mr. J. M. Keynes in his recent book on Indian Currency and Finance, and the reader of either may be strongly recommended to read the other.

In my opinion, however, there are omissions both in the book and in the report which are of the first importance in theory and in the future may be of vital importance in practice. The practical side of the issues I wish to raise is dealt with in Sir James Begbie's note of dissent, and I shall treat of the same difficulties with reference to the relative economic principles and former cases of practical importance.

This paper is mainly concerned with the ulterior and cumulative effects which seem probable if the present system, even as modified in the Report, is continued.

The admirable history of Indian Currency since 1893 given in the general report shows at once that in all the various changes the dominant force, whether in initiation or modification, has been the stability of the foreign exchange value of the rupee in relation to gold. From the beginnings of the depreciation of silver after 1873 the Indian Government was troubled with the instability

[1] *Final Report of the Royal Commission on Indian Finance and Currency.* 1914. [Cd. 7236.] Price 9d.

of the gold-exchange value of the rupee, and British trade with India was also troubled with it. One of the principal arguments of the bimetallists was that the fixity of the ratio of silver to gold would also fix the gold value of the rupee, with consequent general advantage to trade, to the investment of capital in India, and to banking as well as to the Government. By 1893 the attainment of stability of exchange (or at least a check to a further fall) to the Indian Government seemed necessary, and to the British trader very desirable. The Indian mints were closed to the coinage of silver, and since 1898 the policy pursued has been successful in maintaining the normal gold value of the rupee at 1*s*. 4*d*.

The Report, in its final summary of conclusions, sec. 76 (p. 20), says that "the cardinal feature of the whole system is the absolute security for the convertibility into sterling of so much of the internal currency as may at any moment be required for the settlement of India's *external* obligations."

No one will dispute that this fixity of exchange is in itself advantageous and especially advantageous to the Indian Government. But the question arises: Does it follow, because the stability of the gold price of the rupee has been established for the purposes of foreign exchange, that therefore it may be taken for granted that all the other functions of good money are fulfilled by the rupee as so "managed"?

What are the primary functions of a good system of money? The first is to provide a *medium of exchange*, not mainly for foreign payments, but for the purposes of internal trade and industry. The first requisite from this point of view is that the money shall be universally accepted, hence the importance in the early stages of development of the *commodity* value of money. Even in the latest stages any difficulty in testing or any want of confidence at once so far limits the acceptability. We have numberless instances of imperfect acceptability in the incubation period of the depreciation or debasement of different forms of currency. In the extreme case of the depreciation of inconvertible notes the acceptability may vanish. Between this extreme of non-acceptability and the other extreme of instant universal acceptability there are infinite gradations, and we have an excellent example of the economic principle of continuity.

The question, then, is this: Is this artificial rupee as acceptable to the people of India as was the old rupee, which was of the same value as the metal of which it was composed? Have

the masses of the people of India reached the stage at which the commodity value of the money is of no importance? The answer of Sir James Begbie is definitely to the contrary : ". . . the recent demands for gold in India show a loss of confidence on the part of the public in the token rupee. . . . The need for confidence to secure the exchange value of the rupee is recognised, but not the need for confidence in the currency in other respects." (Report : note by Sir James Begbie, p. 88, par. 5.)

The next requisite of a good medium of exchange is that it should be readily adapted to the demands of trade : the volume of the actual currency should be capable of automatic increase or decrease. Such automatic adjustment is most nearly attained when the principal currency is interchangeable at once with the corresponding metal. Such was the old system of the rupee under the silver standard. Such is the system of the currency of the United Kingdom as regards gold, notes, and cheques. But even in the United Kingdom there are occasionally difficulties. At one extreme, for example, as regards the small token coins, we hear sometimes of the scarcity of farthings. At the other extreme, before Goschen's Act for the gold recoinage (1890) the banks had begun to feel the difficulty of getting rid of the light-weight gold coin. The preliminary stages of depreciation had begun, and even in England the automatic adjustment of the gold coins was threatened.

In the case of India this point is best taken in connection with another of the principal functions of good money, namely, that it should provide a *store of value*. The earliest form of saving is in hoarding the precious metals. India, as regards a large part of its population, is still dominated by primitive ideas of hoarding. "The hoarding habit in India is no doubt a difficult problem. Its recent rapid development in increased demands for gold and the possibility of its further expansion make it a question of the highest importance." (Note by Sir James Begbie, Report, p. 89, par. 10.) Under the old system the metallic value of the rupee was the same as its nominal value A native would hoard rupees, or turn his rupees into ornaments, as it suited his convenience. Under the present system, if a native hoards silver he does not know what the value may be later on in rupees. If he hoards gold he believes he will get the fixed amount of rupees. Therefore, he prefers gold to silver. He also prefers it to token rupees. There is an alternative use for gold, and according to Gresham's law it is withdrawn from circulation and absorbed in hoards in preference to rupees. In the opinion of Sir James

Begbie, this hoarded gold is not so readily released as was the silver formerly. The confidence in the rupee has been partly lost. "Statistics show this later reversion to hoarding on an extended scale is a retrograde movement."

It must be remembered that the rupee, like any other form of token money, can only be kept at a fixed value as regards gold by the use in some form of the principle of limitation.[1] For the first seven years after the closure of the mints to silver for private coinage there were practically no new issues. The deficiency was in part supplied by the release of rupees from hoards and by importation from outside. So long as these sources of supply were available, the principle of limitation did not have its full effect.[2] In consequence the rupee failed to maintain the 1*s*. 4*d*. value, and fell at one time to 1*s*. 1*d*. After stability had been attained in 1898, the needs of more currency, as shown by the difficulties of moving trade and the stringency of the Indian money markets, led to the issue of new rupees by the Government. Since 1900 these issues have been very largely increased, but not so as to threaten (except, perhaps, in the crisis years of 1907–8) the gold price of the rupee.

The point is that the amount of rupees coined depends partly on the demands for remittance in London, partly on the offer of gold in India to be converted into rupees, and partly on the estimates of the Government as regards Indian requirements for trade or banking.

But the amount issued is not automatic, as under the old system. The vast volume of the Indian currency is now a "managed" currency.

The Report notices this objection that without gold in active circulation India's currency must remain a managed system, with the implication that a managed system is a bad system (sec. 66, p. 18). The passage may be quoted in full:—"The ideal with which this managed system is contrasted seems to be the system of the United Kingdom, where fresh supplies of the only unlimited legal tender coins, the sovereign or half-sovereign, can be obtained by anyone who takes gold to the mint for coinage. In our opinion this contrast is of no value. There does not appear to us to be any essential difference between the power to import

[1] This principle of limitation was clearly stated by Ricardo with important historical illustrations in his *Reply to Mr. Bosanquet's Observations on the Report of the Bullion Committee* (McCulloch's edition, p. 347).

[2] This possibility was foreseen by the present writer in an article entitled "The Indian Currency Experiment" in the *Contemporary Review*, September, 1893. Republished in *Money and Monetary Problems*.

sovereigns at will and the power to have gold coined into sovereigns in India. The *only* [the italics are mine] point of the criticism that India's currency system is managed in a sense that is not true of the currency of the United Kingdom lies in the fact that the rupee is a *token* passing at a value above its intrinsic value, and at the same time is unlimited legal tender. It is true that it is not practicable even to consider the limitation of the amount for which the rupee is legal tender. In this sense, therefore, the system must remain a *managed* one. But we demur altogether to the idea that because it is to this extent a managed system it must be a bad system. It is not, in fact, possible for the Government of India to *manipulate the currency for their own ends*, and they cannot add to the active circulation, *except in response to public demands*."

The difference between the power to have sovereigns coined and the power to import them is not always quite so negligible as is shown by the famous case of Australia after the discovery of gold (in the absence of a mint). The market price of gold in South Australia is said to have fallen to 45*s*., and in Victoria to 60*s*., as against the Mint price in London of £3 17*s*. 10*d*. But at present this side of the management is of comparatively small importance compared with the "*only* point of criticism" noticed immediately after. The rupee is a token of unlimited legal tender, and not only so, but, taking the country as a whole, it is the principal medium of exchange, as well as being in effect the standard of value. Gold is used and notes are used to a certain extent, but the rupee is still king, though his monarchy is more limited than it was.

The answer of the Report to this objection is singularly meagre. We are told first that the Government cannot manipulate the currency for their own ends. But the basis of the whole system, as shown in the historical introduction, is that the Government adapts the system so as to secure stability of exchange for its own convenience. The mints were closed to raise and maintain the exchange, and the complex arrangements for keeping a reserve, and the nature and the *locale* of that reserve, have all been guided by the ends of the Government. So long as the rupee maintained its value in gold payable in London, the rest of its monetary functions were either not considered at all, or were supposed to follow, by some kind of pre-established harmony inherent in the gold-exchange standard.

Next, it is assumed in the Report that so long as the rupees are issued not for the immediate profits of the mintage, but in

response to public demands, there can be no difficulty in the management. The central difficulty is that at any particular time the public demand may seem well founded and the new issue may seem desirable, but the method of new issues is only one side of the question of management. There remains the management of withdrawals or of contraction in case of need. If rupees in India could be converted into gold in India without any difficulty or postponement, then the contraction of the currency would be automatic. In fact, the rupee would be, like a bank-note, convertible immediately into gold. But the very essence of the gold exchange standard is in showing "some degree of unwillingness to supply gold locally in exchange for the local currency, but a high degree of willingness to sell foreign exchange for payment in local currency at a certain maximum rate." (Keynes, *op. cit.*, p. 6.) This difficulty of the conversion of the local currency into gold makes the rupee correspond, so far, to an inconvertible, and not to a convertible, note. It is true it is not absolutely inconvertible, but, as already observed, there are all degrees of inconvertibility. In the development of Scottish banking there were some interesting cases of deferred or suspended convertibility which helped to make Adam Smith a non-free trader in banking. In the case of India there may be a considerable cumulative increase in the circulation before the method of partial convertibility adopted comes into effective operation. In general the balance of trade is in favour of India, and so long as this favourable balance exists the volume of rupees can be increased.

In a very able critique of the Report by Mr. F. C. Harrison (*Quarterly Review*, April, 1914), which appeared after this paper was written, it is said: "At present there is no real distinction between the rupee and the note. Both are liabilities of the Government to be kept at a parity with gold. One is a note printed on silver, the other a note printed on paper." This identification of the rupee with a convertible note leads to curious consequences. In India the lowest denomination of the note is five rupees—why not one rupee? Why go to the expense of printing the one rupee note in silver? Why in most countries is the lowest denomination of note so high relatively to the highest tokens? The answer to these questions involves *inter alia* an answer to the old questions: Is an over issue of convertible notes possible? And is the danger specially great if the notes are of very low denomination?

As the result of prolonged controversy, it became clear that over issue might mean relatively to the reserve, or over issue

so as to promote or aggravate an inflation of prices on account of the *de facto* suspended convertibility of small notes. What is the amount of the reserve held in India against the rupees actually in circulation, apart from what is supposed to be necessary to support the notes and the foreign exchange? In the proposal for a central bank, submitted by Mr. Keynes (Annexe to the Report, p. 69), it is laid down that only up to forty per cent. of the gross circulation should be held in a fiduciary form without tax, the balance being held in cash (gold or *rupees*). Obviously, if the rupee is itself a note printed on silver, it cannot form a reserve for the conversion of rupees, and if a corresponding proportion of gold is to be held against these notes printed on silver, that would mean over £60 millions of gold for this purpose (taking the circulation of rupees as 160 millions of crores [Mr. Harrison]). Mr. Harrison faces the difficulty, though he thinks 30 per cent. in gold against the notes (whether printed on silver or paper) would suffice, but he remarks: "The India Office has never appreciated the fundamental difference between holding gold and holding securities." In Mr. Keynes' scheme the fiduciary issues of notes may be increased up to 60 per cent. on the payment of a tax—but not beyond—but in the excessive issue of rupees there is actually a profit of most of the difference between tenpence and sixteen pence.

Again, the Government is not legally bound to give gold for rupees in India, though in practice it has made the offer in recent years, and in the case of recognised specific depreciation and the presentation of large quantities it could not do so. The suspension of the English Bank Charter Act does not mean that the notes become inconvertible, but simply that the fiduciary issues of the Bank may be increased beyond the cast-iron limit. The suspension of the offer of the Indian Government to give gold for rupees in India when asked for would make the rupees *de facto* inconvertible in the strict sense of the terms.

At this point it is convenient to bring in another function of money, namely, as a standard measure of values. As already observed, in India as a whole the rupee is still king, and all prices are estimated in rupees, and not in gold. The ordinary native of India knows no more about the gold-exchange standard than the ordinary Englishman knows about the mint price of gold or the possible differences between the mint and the market price. If a monetary system is sound, this is the ignorance of the healthy man who knows nothing of the anatomy or physiology of his own body. It is a bad thing for a country when the masses

of the people begin to feel that something is wrong with the currency.

As regards the possible effect of the gold-exchange standard on general prices in India, the report seems to be absolutely silent. And yet it is precisely this aspect of the monetary standard that has lately attracted attention all the world over. Everywhere there is an outcry against the rise in the cost of living. The rise is complained of in all the countries with the gold standard. The gold standard is no security, as the last forty years have shown, against general movements of prices, down or up.

Since 1900 there has no doubt been a great rise in general prices in India, and if India had had in every respect precisely the same standard and currency as in this country, a rise of prices must have been expected.

But the question of importance is whether the present system in India (which is not that of the United Kingdom) is likely to aggravate the rise in prices.

As already shown, the rupee has only an imperfect or impeded convertibility. Accordingly, the connection of the rupee with general prices is best seen by taking the case of inconvertible notes. Such notes have been issued sometimes for a considerable period without any depreciation, but in most cases (owing to this very difficulty of management) depreciation, to a greater or less extent, has taken place eventually, and there is always the fear of depreciation.

It is important to distinguish between the *specific* depreciation of notes as regards gold, and their *general* depreciation as regards commodities. The premium on gold is not always the exact measure of the depreciation of the notes as regards commodities.[1] That is to say, the purchasing power of the notes *quâ* commodities may be greater or less than is indicated by the depreciation as regards gold. There is no doubt a connection between the *specific* and the *general* depreciation, but sometimes the divergence is considerable.

In the same way, though the rupee remains at the par of the gold-exchange standard, its general purchasing power may have fallen. Prices in terms of the local currency will depend (other things being the same) on the quantity of that currency. If the quantity is only *slowly increased (in proportion to the work to be done), the cumulative effect of new additions will be so much* longer postponed. But if the means of contraction or withdrawal

[1] The general argument is too long for introduction in this place. Cf. My *Principles of Political Economy*, Vol. II. p. 128, Bk. III., Ch. XV., sec. 4.

are inadequate; if the convertibility is only partial or suspended, then in time, if new additions are continued, the cumulative effect must operate. General rupee prices will rise, and after a certain point is reached this general depreciation may lead to specific depreciation, in spite of the large reserves held to support the foreign exchange (especially if a great part of these reserves is documentary and not in gold).

In such a country as India, with very imperfect credit and banking, and with an immense area and population, it is plain that additions to the currency operate more directly on prices than in modern Western countries. No doubt an increase in quantity will take longer to work out its general effect, and conversely any contraction such as will effect general prices will also take longer. Says Mr. Keynes: "So long as the rupee is worth 1*s*. 4*d*. in gold no merchant or manufacturer considers of what material it is made when he fixes the price of his product" (*op. cit.*, p. 12). True: but suppose that the method of keeping up this price of the rupee leads to a great and continuous increase in the quantity. The method may be quite successful, at any rate for a time, as regards the 1*s*. 4*d*., but if the quantity of the rupee is increased general prices, so far, will rise.

In this connection a reference may be made to the period of the Bank Restriction in England (1797–1823), when the Bank of England was restricted from giving gold for its notes on demand. The principles of the case have been well brought out by Bagehot in his "Lombard Street." The essence of the history is simply this:—For the first ten years the notes, though inconvertible, remained undepreciated as regards gold. Apparently, the directors had acted in the soundest manner. Yet, says Bagehot, when they came to give the reasons for their action they have become classical by their nonsense. They applied, it is true, a principle of limitation that seems natural enough. They only made advances in terms of notes for the *bonâ fide demands of trade*, and at a high rate of discount. They thought in this way the demands for currency were fairly indicated, and that, therefore, there could be no depreciation. But they forgot the cumulative effect. None of the notes being withdrawn or sent abroad, in time the quantity became too great, prices rose, and, *inter alia*, the price of gold. Whether the rise was in both cases exactly the same, is an old and interesting question, precisely that old question of the measure of depreciation.

In effect it would appear that the method of limitation now adopted as regards the issues of the token rupee is the same

as that adopted by the Bank of England in the Restriction. So long as the rupees are issued only in response to a supposed real effective demand, it is thought that there can be no depreciation (see Report, p. 19). The specific depreciation as regards gold may be guarded against or provided for by the devices used for the maintenance of parity, but in the course of time the rupees in circulation will accumulate, and after a certain point a rise in prices must follow. In the case of India, with its favourable balance of trade, the rise in prices must no doubt be considerable before the parity of the rupee will be affected for foreign exchange, but in the meantime India suffers from the beginnings of a general depreciation. And in the end, as already observed, even specific depreciation may take place, especially if the reserves held are in the main documentary and not actually in gold.

This paper began with the statement that the Report failed to give adequate consideration to certain aspects of Indian currency that in the course of time might prove to be of grave concern. In conclusion, the omissions and the possible evils may be briefly summarised.

The leading idea in the criticism offered was to refer to the primary functions of money. Owing to the necessary interconnection of these functions, a treatment of any one involves a reference to the rest.

As regards the function of money as a *medium of exchange*, the Report, following the practice of the Government of India for the last twenty years, considers the rupee mainly from the point of view of foreign exchange. It considers the means by which the stability of the gold-exchange value of the rupee may be safely and most economically secured. It seems to be taken for granted that if only this stability is maintained it makes no difference to the people of India if their principal metallic currency is token money. The opinion of the 1898 Committee that the gold standard should be gradually made effective by the use of more gold as currency is discarded; it is argued that to support the stability of foreign exchange the gold would be much more useful massed in some banking centre, the preference being given to London. The ready interchangeability of the coins with the corresponding metal within the country (which, under the old system, was so convenient) is passed over as of no importance.

The function of money as *a store of value* is emphasised in connection with the accumulation of gold to be used in case of need to support the gold-exchange value of the rupee, but the more primitive form of the *store of value* in the native hoarding

is neglected. The native can no longer hoard silver; he has not the same confidence in the rupee as a token; therefore, he hoards gold, and he is less willing to part with this gold when there is a difficulty placed in the way of getting it back. With regard to the function of money as a *standard measure of value* (including *deferred payments*), it seems to be taken for granted in the Report that if the rupee is only linked to gold for foreign exchange, its value or general purchasing power must conform to that of gold as determined by the world's markets and the world's banking. It seems to be thought that it can make no difference what the "intrinsic" value of the rupee may be. If, however, the rupee ought to be regarded as partaking of the nature of an inconvertible note, this simple relation will not hold good.

But so far as the rupee is like an inconvertible note, so far it is subject to the same limitations or liable to the same dangers. In particular there is the danger (unless the volume is strictly limited) of a general rise in prices. If water flows into a reservoir in greater amount than to the extent of all the withdrawals, the level will rise, though, of course, it would rise more quickly if there were no means of withdrawal. As a matter of fact there has already taken place in India a great rise in rupee prices. The extent and the nature and the causes of the rise are open to controversy, but, roughly, since 1900 the rise in prices seems to have been associated with the increase in the volume of the rupees. If the inflation of the rupee currency has already begun to operate, we may expect that in the near future the rise will be still more marked. This possibility is serious; already some of the highest authorities have given this rise in prices as one of the chief causes of Indian unrest. We know by theory, with abundant historical verification, that in a rise of prices due to inconvertible paper or any analogous cause the mercantile and trading classes gain at the expense of the masses. Even if the rise in prices is due to an increase of gold, until the period of transition is over the same rule seems to apply. In the case of gold, however, there are natural economic forces which in time must limit the monetary supply, and so far the level of prices, but in a managed currency such as the rupee these natural forces are absent or weakened. No one, for example, would melt down rupees to make ornaments, but gold coins are constantly so melted. Even the Government is not likely to contract the currency by melting down rupees, unless the evil of inflation has become intolerable. But after a certain point is reached in the inflation, the general depreciation in the purchasing power of the rupee must be followed

by a specific depreciation as regards gold; and if this is the case, then the main object of the whole policy is defeated.

To prevent misapprehension, two supplementary observations may be made. The Report does, no doubt, pay considerable attention to possible development of banking and the use of bank-notes, and so far considers the medium of exchange from the point of view of internal requirements. But when we are told that 90 per cent. of the Indian people cannot read, and when we know they are very poor, this development of credit is only likely to increase the rapidity of the inflation of rupee prices. The Report seems to think it an evil if gold replaces notes in the circulation, though the notes are only convertible into rupees.

The other observation is of a more general character. It may be said that the criticism here offered would apply to any form of the gold-exchange standard. So far as the conditions are essentially the same, this is quite true; but the general argument is too large to be considered in this place.

J. SHIELD NICHOLSON

REVIEWS

Wealth: A Brief Explanation of the Causes of Economic Welfare. By EDWIN CANNAN, LL.D., Professor of Political Economy in the University of London. (London: P. S. King & Son. 1914. Pp. xxiv + 274. Price 3*s*. 6*d*. net.)

HERE is a book to be welcomed by teachers and students: the work of an independent and vigorous thinker, who has the courage to break away from the customary classifications, and to handle the subject in a fresh and original way; one, moreover, who, as a rule, finds the language of ordinary life quite sufficient for his purpose. It is hardly "*the* heaven-sent book," for which, as Professor Cannan sarcastically remarks in his Preface, teachers have so long been in search for use in their classes, because, among other reasons, it does not nearly "cover the ground" of what is commonly understood by elementary economics; but we may fairly hail it as "*a* heaven-sent book," for it may very profitably form part (at any rate the greater portion of it) of the prescribed reading of an elementary college or university course.

Professor Cannan himself tells us emphatically that his book is intended for beginners; and on the whole he is remarkably successful in striking the right note for his purpose. He does not descend to the vocabulary of childhood, but treats his readers as intelligent young men and women; and he keeps more or less on the same plane throughout. Occasionally, indeed, he seems to get a little hurried, and passes over rather difficult topics with what I cannot help thinking is somewhat inadequate exposition. The proposition, for instance, that the law of Decreasing Returns is "just as true of manufactures as of agriculture," would seem to call for more than the four sentences which are all that are given to its explanation (p. 68). But it will not be difficult to insert three or four pages here and there, in the later editions, where elaboration is necessary.

In my judgment the most important new departure in the book is the emphasis laid on the inheritance of property as a main reason for differences of income. The influence of the law of

inheritance is a subject which is commonly passed over without mention in elementary, or even in the larger, text-books of English political economy. Professor Cannan's remarks that "so far the subject has been very little discussed," and that "J. S. Mill, alone of the older writers, thought it worthy of consideration, and not much has been added since his time," are perhaps unintentionally a little misleading. The whole subject of the legal basis of economic activity and the effect of varying conceptions of property is one which has been much discussed by the most influential of German economists, by Wagner and Schmoller. But the observation is true enough, so far as England is concerned ; one might read many a stout volume professing to deal with fundamentals, and hardly guess from them that rich men's sons started with any advantage. And Mr. Cannan, by his emphasis on inheritance, does a real service to economics, and helps to bring academic discussion into closer touch with the facts of life.

Here, as in many other pages, it is the man of affairs, the shrewd observer of things about him, that makes himself heard in this book. Among other "realistic" sections, let me especially commend the analysis in Chapter VIII. of the ordinary conception of income. Elsewhere it is the historian of economic theory who illuminates a subject by a brief and masterly account of the development of thought which led to such and such a formulation ; as, for instance, the Malthusian doctrine of population, or Adam Smith's notion of distribution.

With all these fresh ideas and fresh points of view for the greater part of his book, I am not sure whether our author was wise in adding the few pages at the end which deal with the question of Protection. They seem to repeat a rather customary Free Trade teaching in a way which is scarcely of a piece with the freshness and actuality of the rest of the book.

In view of future editions, it may be as well to call attention to a couple of statements of fact which can probably be improved. We are told on p. 184 that "in our own time primogeniture plays but a small part ; property as a whole is generally divided *nearly equally* between a man's children by his will, except when the eldest has a title" (p. 184). But is this so in the case of the other landed gentry of England? Are the effects of "strict settlement" so completely made up for by bequests and other arrangements, as this would suggest? And, in any case, I suppose "children" here means sons. On p. 226 it is remarked that "Massachusetts and Texas have better claims to be regarded as sovereign States than Jamaica or even the Canadian Dominion."

I am not sure what is meant by "sovereign State"; but, at any rate so far as the Dominion is concerned, the proposition is open to serious question, I should have thought, in any sense—legal or economic. Perhaps I might ask also, whether, in discussing the inequality in the remuneration of the two sexes, it was really Professor Cannan's intention to omit all reference to the effects of the prevailing constitution of the family (with the husband usually as the chief bread-winner), and of the expectation of marriage on the part of young women. Perhaps he intends to bring all this under his formulæ of "amount of output" and "value of unit"; but in one who lays so much stress elsewhere on the economic significance of the family, it looks like an oversight.

W. J. ASHLEY

Unemployment. By PROF. A. C. PIGOU. (London: Williams and Norgate. 1913. Pp. 253. Home University Library. 1*s.* and 2*s.* 6*d.*)

THE object of this book is to give a survey of the problems of unemployment in the spirit of the economist, but in the language of the ordinary citizen. That object has been very fully achieved. Professor Pigou's name and position are, of course, ample guarantees that the problem will be examined, not indeed without sympathy, but in the white light of economic science. At the same time, the language used is effectively simple and free from technical terms. The book should, therefore, serve an excellent purpose in bringing about a more general understanding of a problem so easily and so disastrously misunderstood.

Professor Pigou deals first with the meaning and measurement of unemployment. His definition of the term comes in effect to this: that "the amount of unemployment which exists in any industry is measured by the number of hours' work . . . by which the employment of the persons 'attached to' or 'occupied in' that industry falls short of the number of hours' work that these persons would have been willing to provide at the current rate of wages under current conditions of employment." This definition, it is pointed out, includes as unemployment, not only the complete idleness of the wholly "unemployed" workman, but also the hours lost by the textile operative or the fitter who is working "short time." No one will quarrel with Professor Pigou for adopting a definition which has this effect. It is, indeed, the very first step to any understanding of the problem under review, to recognise the hours lost in short time as a form of "unemployment," and conversely to recognise the recurrent idleness of the

dock labourer at all times, of the bricklayer in winter, and even of the boilermaker in the trough of a cyclical depression, as a species of "short time"; as hours of work lost by men who none the less remain workmen attached to their particular industry.

From another point of view, Professor Pigou's definition is perhaps still open to criticism of a technical nature. It may be suggested that he has not sufficiently defined the position in regard to men who are idle because they are on strike or are locked out. The idleness of the former would not; the idleness of the latter would apparently come within his definition. Yet neither in economic theory nor in practice can any definite line be drawn between the two cases. As Professor Pigou refers to the definition in Part II. of the National Insurance Act, it may be worth noting that there men on strike or locked out are equally treated as "unemployed," and as fulfilling the statutory conditions for benefit in Section 86 of the Act, but are then held to be subject to a special "disqualification," under Section 87.

The succeeding chapters on "Some Popular Explanations of Unemployment," and "Unemployment in a Stationary State," are, from the point of view of clearing away popular errors, among the most valuable in the book. But it may be suggested that for the ordinary reader the statement that "unemployment is *wholly* caused by maladjustment between wage-rates and demand," needs more explanation than it receives. And when this theory is developed, through the statement that "apart from fluctuations there could not exist any unemployment whatever," into the doctrine that, even with the present fluctuations, there need be no unemployment, "for the wage-rate that workpeople ask for at every point in the industrial field *might* so vary in response to variations of demand that there were never anywhere more workpeople than employers were willing to engage," it becomes a paradox of the lecture-room hardly worth putting into a work for the ordinary citizen, unless it were going to be defended and elaborated at some length. For the ordinary citizen in the trough of a trade depression sees ships laid up, because there is apparently no demand for their services at any price at all. He will be only confused, not enlightened, by language which suggests that boilermakers (whose unemployment percentage now ranges from 2 to 25) could have constant work in building new ships, if they would let their wage-rates be perfectly plastic.

The chapters on the causes of fluctuations are necessarily brief, but contain an interesting summary of various monetary devices suggested by Jevons, Professor Irving Fisher, and others, for pre-

venting or counteracting those cyclical fluctuations of the aggregate wage fund, from which the recurrent crises of exceptional unemployment arise. As regards the causes of these cyclical fluctuations, Professor Pigou suggests that Jevons' sun-spot theory "may, perhaps, contain a larger element of truth than some recent critics have been willing to believe."

Finally, all the principal remedies or palliatives for unemployment are passed under review, special prominence being given to machinery for securing plasticity of wage-rates and preventing industrial disputes, to the working of "short time" in trade depressions and to insurance. In regard to plans for regularising the total demand of labour by compensatory fluctuations in the demand on public contracts, Professor Pigou rightly emphasises the point that such a proposal "is likely to lessen unemployment when mobility is considerable, but to increase it when mobility is slight."

One or two points of detail may be noted in conclusion. On page 21, Professor Pigou speaks of the trade union returns of unemployment published in the Board of Trade *Labour Gazette* as relating only "to the men in receipt of unemployment benefit." This is not quite correct. The only returns used are those made by unions giving unemployed benefit (because those unions alone have any systematic registration of their unemployed members), but the returns include men who are not themselves in receipt of benefit, *i.e.*, are not yet entitled to it or have exhausted their claims. In the argument on pp. 63–68, it may be suggested that there is a slight confusion between "efficiency" and the "standard of living" as determining the supply of labour to an occupation. Variations of efficiency would not tend to attract an over-supply of labour, provided that the standard of living of, *i.e.*, the earnings demanded by the less efficient were as high as that of the more efficient.

W. H. BEVERIDGE

Money-Changing: An Introduction to Foreign Exchange. By HARTLEY WITHERS. (London: Smith, Elder & Co. 1913. Pp. viii + 183. Price 5*s*. net.)

IN this latest production of Mr. Withers we find all the admirable qualities his earlier books have led us to expect from him. He always goes straight to vital issues: he avoids technicalities and formulas: his exposition is perfectly clear, and his style almost dangerously easy and attractive. We are so skilfully led that we hardly realise the difficulties we are taken over. Those who think nothing profound but the unintelligible

may incline to belittle the book on this very account. But if Mr. Withers is simple, it is the kind of simplicity we often (perhaps only) find in the great masters: the result of a firm, clear grasp of essentials. It is the very opposite of the trivial or superficial.

Mr. Withers himself makes a very modest claim for his book (pp. 175–6). He tells us that he has avoided technical detail, and has only tried to show what foreign exchange means, how it is done, and what are the main causes which determine the rates. For the rest he refers his readers to Lord Goschen, Mr. Clare, and Mr. Escher. But his own book is, of course, more up to date than Lord Goschen's; it is clearer than Mr. Escher's; it is simpler and less technical than Mr. Clare's. It will probably prove the best introduction to the foreign exchanges for those students whose interest is not so much in the business of exchange as in the relation of the foreign exchanges to the general economic system.

Passing to special points, it must be said at the outset that the least felicitous thing in the book is its title. The term Money-changing is not an adequate description of foreign exchange. Money-changing may arise within a country, as when in England silver coin is exchanged for gold, often at a serious discount; or gold for copper, sometimes at a discount, sometimes at a premium. But these rates are not foreign exchange rates. Again, the sovereign is current in Egypt, India, and Argentina as well as in England. No money-changing is required, therefore, in transactions for payment between these countries. But exchange rates arise, just as they arose between towns in the same country before the nineteenth century. Exchange is essentially an affair, not of money-changing, but of remittance. It arises whenever we have to pass the frontier of a free remittance system, such as the banks of most countries now provide within national limits.

Some of us will not find Mr. Withers's use of the term "standard" quite convenient, where, as in Chapter I., he is describing currency systems. India, he says, does not want a gold standard, much less a gold currency. She does not want a gold currency, granted; but (since 1899) she *has* a gold standard; and this not merely in a legal sense, but in the real and primary sense that all Indian currency values now move as the value of gold moves. No doubt the standard is maintained by selling exchange, not by internal convertibility, and this justifies the special term gold exchange standard. But if, and so long as, the

system works, the standard really is gold, not "semi-gold," as Mr. Withers has it.

It is a small matter, but perhaps Mr. Withers insists rather overmuch that England is the only country that really and unconditionally pays in gold. Amsterdam pays in gold. So does the United States. Mr. Withers says it does not, because gold can only be obtained there against gold certificates, and there are other forms of legal currency "which carry no claim to be paid in gold" (p. 157 and p. 173). But it is a first principle of both parties in the United States that "a dollar shall always be a dollar," and it is the duty of the U.S. Treasury to maintain parity between all forms of legal tender money. (As to the greenbacks, of which Mr. Withers speaks on p. 7, the Treasury is expressly required by the law of March 14th, 1900, to redeem these on demand in standard gold coin, and holds a redemption reserve of £30,000,000 for this purpose.) In this respect (of parity) the American arrangements are better than our own, for even divisionary silver will be exchanged by the Treasury. Are gold certificates ever at a premium, as against other forms of American money? The real difficulty in the United States was that from time to time, as in 1907, *all* forms of legal tender money (notes included) went to a premium as against the cheque. This was because, with their old inelastic banking system, a crisis meant general suspension of payments. There are many countries, too, which are always ready to sell fixed gold exchange, which is payment in gold so far as foreign exchange is concerned.

Mr. Withers is, of course, right in maintaining that in the case of certain countries obstructions are placed on the export of gold, Exchange on Berlin, *e.g.*, may rise well above the gold point, and yet no gold may come. But in illustrating this he seems to put the Berlin gold point too low. He makes the charge 5 pf. Deutsch (*Arbitrage*, 1904) makes it 12 pf., which seems to compare more reasonably with the 10 cent (Deutsch, 11 cent) charge from Paris. No doubt these rates vary according to circumstances, and cannot be precisely stated. The rate to America, Mr. Withers tells us (p. 157), has recently risen.

His account of the tables of exchange is particularly good; he has taken as much trouble to explain the rates made in the London market as the more usually quoted rates made abroad. Our tables are rightly described by him as "a medley of confusion." They contrast in a striking way with the perfect lucidity

of the Paris table. Why, by the way, is there no quotation of Mexican rates? It is estimated that some £150,000,000 of foreign capital are invested in Mexico, the returns to which may be affected by the rate of exchange.

In Chapter III., where he analyses international indebtedness, Mr. Withers has a useful classification of countries in respect of the exchange position created by their relations as borrowers and lenders, showing clearly that an excess of imports may be either a sign of weakness or of strength. Here he has adopted a method of bringing loan transactions into more obvious relation to transactions in goods by always treating them as exports and imports of coupons and securities. Many readers will find this convenient.

Continuing the same subject in Chapter IV., Mr. Withers remarks that from the returns we seem to export more silver than we import. "It might be inferred that we produce silver from our own mines. . . . What happens is that our metal brokers add their commissions to the total of the exports." But these commissions would not alone account for the large difference. The explanation is, as Messrs. Pixley and Abell have pointed out, that the figures of import do not include silver in ores, valued in 1912 at £1,526,176, and in 1913 at £1,175,206. There may be further silver arising from our mines of lead. On the other hand, it is probable that the returns take no account of imports and exports of British coin circulating in the Colonies. This would affect the balance for any particular year, and generally by increasing the exports.

Chapters V. and VI., on Commercial Bills and Finance Bills, are in Mr. Withers's most characteristic vein. Nothing could be better than his account of the documentary bill accepted by Rudesheimers, or than his example of the French "wine-maker," who at the same time that he is drawing a bill for £1,000 worth of champagne on an English merchant happens to be owing £1,000 to an English market-gardener for rhubarb. So, in passing to Finance Bills, he has a curious historical illustration from the thirteenth century in the bills drawn by Pope Alexander IV. on the English Bishops, who had to accept them under threat of excommunication—an effective but unsatisfactory substitute for collateral. Both documentary and finance bills often present difficulties to the student; but no one will find any obscurities in Mr. Withers's handling of these topics.

The chapter on Discount and Exchange is very good; but perhaps more might have been said about the pull of the discount

rate, and more especially on the way in which it may, and at times must override, temporarily at least, the course of exchange which would naturally arise from the balance of indebtedness. In an early chapter (p. 42) Mr. Withers had said :—"No country can afford to leave its exchange unregulated. . . . The only country that leaves its exchange to its own devices is America, and the results . . . make the American business world clamour continually for a regulating body." It would have been interesting if he had enlarged on this text, and explained the various methods of regulation. In the same way the reader, while grateful for what is said on p. 162 about the "speculative and spectacular motives" that sometimes explain gold shipments, would gladly hear more on this subject.

The chapter dealing with bullion movements, in which the passage just referred to occurs, is full of information new to most of us, especially as regards the bullion market, here sketched for the first time. Here again further detail, if obtainable, would be welcome; but what is given is of great interest.

In a brief conclusion Mr. Withers tells us what, in his opinion, is the chief advantage the ordinary student may gain from a study of exchange. It is "a closer grasp of the elementary fact, so often overlooked, that international trade is an exchange of goods and services." Undoubtedly the analysis of indebtedness is of primary importance; not, however, a particularly elementary matter. Nor will many of us accept the kind of reasoning, based on "exports must equal imports" lines, which Mr. Withers seems to regard as one of the most important corollaries of this analysis. By analogous reasoning it might be proved that no individual could ever make a loss in business or go bankrupt. We had ample experience of national bankruptcy in the period 1876–94, and we may have more in the future. The very difficult questions which arise when we attempt to discover the ultimate effect of various kinds of international operations on the real prosperity and strength of the countries concerned cannot be determined by reference to formulas of this kind. If they seem obvious, it is because they are empty. Like "one man, one vote," they may satisfy the ear. But they have no further use. They are too vague and verbal to aid us in making the difficult distinctions, and taking account of the significant conditions, on which the real and lasting advantage of any given international operation depends.

Here we must leave a book which it has been a great pleasure to read. Perhaps, as often happens, undue space has been

occupied by discussion of minor points of difference; but this must not be taken to imply any want of appreciation of the work as a whole. It may be doubted whether real familiarity with the working of the exchanges can ever be acquired from books of any sort; and Mr. Withers expressly tells us that it was not his aim to compete with the business manuals of arbitrage. But he has certainly given us an admirable exposition of all the main influences that affect the foreign exchanges; and the student who masters it will not find that he will learn much more on these vital points from the other books to which Mr. Withers refers him. The work is vivid with actuality, always perfectly lucid, often fascinating. There have been many able and a few clear works on exchange; this is perhaps the first which could be called positively attractive. What is the secret of the charm? Why does Mr. Withers attract, even when dealing with subjects which usually repel? One recalls a quaint passage, written nearly 150 years ago, by that great monetary authority of his day, Sir James Steuart:—"Q. Why does the doctrine of money appear so intricate? A. Because it is perplexed with jargon." Mr. Withers is the sworn foe of all jargon. He has a special gift for stripping it off, and getting as directly as may be at the realities which the jargon had obscured. For this his works will live, and deserve to live. H. S. FOXWELL

Le Thaler de Marie-Thérèse: Étude de Sociologie et d'Histoire Économique. By Marcel-Maurice Fischel. (Paris: Giard et Brière. 1912. Pp. xxxi. + 208. Price 5 francs.)

FROM the middle of the eighteenth century down to the present time there have been certain parts of Africa and Asia in which the thaler of Marie-Thérèse has been *par excellence* the coin of acceptability—not any Austrian thaler, but one bearing with unalterable fidelity the effigy of the mature Empress; and to meet an insistent demand the Austrian Mint, rejecting the innovation of milled edges and all other changes, has never ceased to pour out these coins, constant to the least detail and still dated 1780. In 1912 4,082,200 of such coins were newly issued. In the Abyssinian campaigns of 1865 and 1889 our own armies discovered that Theresan dollars were amongst the most necessary munitions of war, and that their purchasing power, as compared with that of other coins, was quite out of proportion to their intrinsic value. It is said that in Central Africa one can obtain two five-franc pieces for a thaler, the par value of which in European money markets is about two francs fifty centimes. For the Italian cam-

paign in Tripoli the Viennese mints had need to work overtime.

The currency problem set us by these historical facts is exceedingly curious. Austria has never possessed silver mines of the first importance, such as explain in a most natural way the supremacy of the pieces of eight of Spain and, subsequently, of the Mexican dollar. She has never enjoyed wide trading connections or colonial and imperial possessions such as are now establishing, in combination with the control of the Australian and South African gold mines, the supremacy of the British sovereign. Of all European countries, the Austria of the latter half of the eighteenth century seems to have had the least natural advantages for establishing a coin of cosmopolitan importance. To the solution of this problem M. Fischel has set himself, with the aid of much out-of-the-way learning in more than one field, imbued with the artistic, rather than the pedantic, possibilities of his subject, combining, as only a Frenchman can, a highly romantic view of the curiosity of his quest with a keen desire to rationalise it, and taking a great delight in the amazing juxtapositions, which can be wrought, when left quite to themselves, by the fortuitous workings of chance with design.

He discovers the first link of the chain in the extremely backward condition of eighteenth-century Austria and her freedom from the commercial ideas of the age. All the rest of Europe were mercantilist, and put what difficulties they could in the way of the exportation of coin. To the statesmen of Austria, who did not concern themselves with the commercial development of their country, ideas so subtle were altogether foreign. While France, England, and Prussia were prohibiting the traffic of coin, the Austrian authorities noticed only that their mints were making some slight profit, and, when in 1773 the business in thalers showed some signs of falling off, even instituted an inquiry amongst Greek and Turkish merchants as to the causes of this waning popularity. Having struck at last on a commercial product which hit off as nearly as possible the taste of their customers, they were content with it. And the old-established House of Habsburg have turned out for a century and a half, as though it were Rowland's Macassar Oil or a Bath Oliver biscuit, a thoroughly sound and reliable article, none genuine without the signature of the now long-sainted Mrs. M. Thérèse. After all, the business has not changed hands, though the branch at Venice had to be closed down, and is still under the personal management of her great-great-grandson.

Thus, in the innocence of her heart, the Empress anticipated Adam Smith and discovered the truth, which was hid from Colbert and Frederic of Prussia, that a country's money is, after all, no more than a commodity, well able, under the guidance of supply and demand, to take care of itself. But how, in the first instance, did the fact that there was a demand for such a commodity come to notice? The balance of trade between Europe and the Levant in the eighteenth century was, as is now the case between Europe and India, habitually adverse to Europe. Egypt and the Levant demanded on a large scale the silver, for the American supply of which Europe was the intermediary; while what Europe required was mainly goods. It is said that in the last quarter of the eighteenth century two-thirds of Austria's commercial purchases in the East had to be paid for in actual coin, while even France, who had in her hands a large part of the trading connection with the Levant, had to meet a trade balance habitually adverse. In Europe, where the American supplies were available, silver was relatively abundant, while in the Near East it was scarce; this scarcity had stood in the way of the development of the use of money for exchange or for hoards, especially in remote districts, so that, as the scarcity came to an end, the demand to be satisfied was large; and, besides, Turkey, then as now, even when bullion was available, never set her mints seriously to cope with the demand for silver money. The Near East had, therefore, a large and recurrent demand for foreign silver coin, and had also the means to afford it. Formerly, the Spanish and Mexican dollars had played their part. But for no small part of the eighteenth century the Spanish market was closed to France, and this, together with the want of uniformity in the piastres of Seville, cut off the opportunities of the older coin. The Rixdales of Holland were of poor alloy. In the way of France, the natural purveyor at that time of American silver to the East, stood her policy of mercantilism. Austria alone of Turkey's neighbours was prepared to put on the market as a commercial product a handsome uniform coin of a high degree of fineness.

It is not unnatural, therefore, that the Austrian thaler should have served a purpose in 1780. But how has it come to maintain its extraordinary vogue ever since? When first the thaler left the ports of Marseilles or Leghorn, it passed into the hands of Greek and Jewish merchants. But the coffee of Moka and other products of Africa and Asia Minor only reached such hands in Levantine ports, whereas the land trade through Egypt, Mesopotamia, Arabia, the Sahara, and the Soudan was, and for many

centuries had been, entirely in the hands of the Arabs. It was the taste of the Bedouin, therefore, that ultimately determined which of rival coins was to hold its own. It is in the trail of the Bedouin, in Syria, Mesopotamia, Arabia, Nubia, the Upper Nile, Abyssinia, Erythrea, Tripoli, Somaliland, and to the boundaries of Nigeria, and in these countries only, that we find to this day the currency of Theresan thalers. The map of Arab influence is the map also of the territory of Theresan circulation.

Thus it is in the ethnological and social history of the Arabs that we must seek, according to M. Fischel, for an explanation of the extraordinary fascination of this particular coin, a coin taken by them, not in its character of bullion certificate, but as an object of æsthetic importance, of personal distinction and adornment. Into these researches we must not follow him in detail. A coin, he says, is a symbol of sovereignty, and the Arabs preferred the coin of a power which had no pretensions whatever to sovereignty in the desert. The thaler is of silver; and in the East "l'argent a toujours été l'objet d'un culte fort exclusif," and "ce culte est même si répandu en Extrême-Orient que l'on a pu, à propos des Chinois, opposer le goût de race jaune pour le métal blanc au goût de la race blanche pour le métal jaune." But above all the explanation is to be found in the position of women in Arab society and in their exclusive predilection for the image of the Austrian Empress. In her *coiffure*, her jewelled pin, her massive bust and ample luxurious features, the Arab temperament finds its fullest satisfaction. And it is for these reasons primarily that the great lady has found her way to parts of Africa where no other white woman has even yet been seen, and has remained married for many generations to the Arabian imagination. What we learn as the motto of her race in our school history books—Bella gerant alii, tu felix Austria nube—has won another justification.

It cannot be maintained that all M. Fischel's researches, whether into Austrian politics in the eighteenth century or into the social customs of pre-Mahommedan Arabia, are strictly germane to his ostensible subject. But the thaler of Marie-Thérèse gives him a very good plot. No one ought to grudge a little such licence to so entertaining an economic historian.

J. M. KEYNES

The Influence of the Gold Supply on Prices and Profits. By SIR DAVID BARBOUR, K.C.S.I., K.C.M.G. (London: Macmillan and Co. 1913. Pp. xii+104. Price 3*s*. 6*d*. net.)

SIR DAVID BARBOUR is too well known, both as a practical financial expert and as a writer on monetary problems, to need any introduction, but it may be well to remind the younger generation that he was one of the most active members of the Royal Commission on Gold and Silver which reported in 1888, and was Financial Member of the Council of the Governor-General of India from 1888 to 1893, in which latter year he was responsible for the closure of the Indian Mints. Sir David Barbour has had the advantage of living through most important currency changes of modern times; and he has throughout taken as his master Ricardo. The present book is an application of Ricardo's principles and methods to modern monetary conditions. The basic idea appealed to is that the relative exchange values of commodities are determined by real causes, and that relative prices, when time is allowed, must be adjusted to relative values. No doubt the qualification—"when time is allowed"—is of the greatest practical importance, because one set of changes may not have produced its full effect before other influences may be brought into action. In the old phraseology the readjustment of prices expresses a tendency which is liable to be counteracted. It follows from the general principle that if, owing to an increase in the supply of gold, prices rise in one part of the system of gold-standard countries, the influence of the rise must be diffused through the rest of the system, otherwise there would be a real disturbance of relative values, and the balance of trade would be upset. In other words, gold must be so distributed through the gold-using countries that trade will be carried on on the same terms as if any other measure of values (or none) were adopted. We have been told recently that the bill on London is the currency of the world, and that in 1912 bills on London reached the total of £1,805 millions sterling, as against a total export and import trade of £1,231 millions. The bill on London is the world's currency because in the last resort it can be met with gold. In fact, the gold is seldom asked for, but the whole system rests on the metallic basis. Some economists in recent years have been so much impressed by the magnitude of credit instruments of all kinds—for, after all, the bill on London is only a small part of the show—that they have supposed the effect of the gold supplies on prices is negligible, and that representative money, as Jevons

called it, is of overwhelming importance. This is only the old fallacy of inconvertible paper in another form. The lesson of the 1907 crisis in the United States ought to have shown, even to the most modern of the moderns, that gold is the foundation-stone of the whole building. We have been taught by Cournot and his successors that continuity is the soul of economics. The principle can be applied to gold and credit. Between the absolute inconvertibility of the old assignats and the deferred or suspended or impeded convertibility of the latest gold-exchange standard[1] there are only insensible gradations. Sir David Barbour has done well to recall the old teaching of the greatest (save one) of masters of those who know; for, next to Adam Smith, David Ricardo is still the most energising of writers on economics, especially on matters of currency. He had lived through the period of the Bank Restriction and knew "the meaning of money," both in practice and in theory. The second David has adopted not only the matter, but the manner of the elder. The argument is put in the tersest possible words, and the reader is often left to make his own hypothesis according to the sense of the context. But there is never any doubt as to the meaning, if the reader will take the trouble to follow the argument. And the argument is well worth following; it puts old truths unashamedly, though it does not pretend that there is no more to be said on the difficulties of periods of transition. It shows very clearly that even the latest banking business needs a skeleton, and that gold is the anatomy which must support the matchless complexions of credit.

At the present time, when a good deal of the older learning on money is neglected, this re-statement of the central positions with applications to actual conditions ought to be of great value, and from this point of view the lucid brevity of the writer is to be greatly commended.

J. SHIELD NICHOLSON

Études sur la formation et le mouvement des prix. By MARCEL LENOIR. (Paris: Giard et Brière. 1913. Pp. viii. + 201.)

THE first part of this book deals theoretically with the determination of price. On the demand side a start is made with the most fundamental of facts as they are passed over from the psychologist to the economist. The procedure in its general lines is not unlike that of Mr. Johnson in a recent volume of this

[1] The relation of the gold-exchange standard to the scheme suggested by Ricardo in his *Proposals for an Economical and Secure Currency* is not touched on by Sir David Barbour in the present work, and is a matter of considerable difficulty.

journal. Taking two commodities as variables, the author points out that a number of indifference curves (equal utility curves) can be theoretically traced, and demonstrates that every utility curve can be completed as a closed figure, if it may be assumed that the consumer can be satiated with both commodities and is inconvenienced when he receives more of either than the amount which fully satisfies him. This only needs stating to be evident, for when satiety with respect to either commodity is reached, and yet more of it is received, it is needful that more of the other should be offered in order to make up for the inconvenience of the excess; and when satiety with regard to both commodities is passed, and the holding of one of them increases, it is needful to be relieved of excesses of the other, if utility is to be kept constant. Given the possibility of over-supply of both articles, the closed figures become smaller and smaller with increase of both articles until the shrinkage culminates in a point, as the author shows. From any given closed figure demand can be derived by taking tangents. The operation produces two demand curves, or curves of exchange rates, the unusual one starting remote from OY and moving towards it. This second curve is of no practical importance, since it indicates demand (or rates of exchange which keep utility constant) when the purchasing commodity has marginal disutility instead of marginal utility. It rounds off theory, however, to recognise its implicit existence.

Proceeding to the composition of demand, the author does not discuss the modification of private demand by the extent of demand in general. On the demand side of the problem of value it is not so needful to trace the reactions of aggregated action on individual action as on the supply side; but on the latter side also composition is assumed by our author to be simple. Still the treatment of supply is adequate for the purposes of the investigation.

The second part of the book seeks some confirmation of theory in an examination of movements of prices and variations in such measurable things as should have a bearing on them. Trade cycles are treated in Chapter II. of this part almost entirely with reference to discounting, discount rates, and the production of the precious metals. Of the next four chapters the prices of coal, corn, cotton, and coffee form the substance. One leading idea of the analysis is to compare price variations with consumption, production or stock, the state of trade (as indicated by the consumption of coal), and the supply of money. Connections are shown by diagrams and by correlations. In conclusion, general

prices, as revealed by index numbers, are studied. It is claimed that the concrete part of the inquiry does something to establish the reality of economic laws; and the claim may be admitted. The book is to be commended for its scientific method and thoroughness; and the author is to be complimented on the readable way in which he has presented results obtained by the application of a highly technical apparatus.

S. J. CHAPMAN

The Value of Organised Speculation. By HARRISON H. BRACE. (New York: Houghton Mifflin. 1913.)

THE title of this book is itself a contribution to clear thinking on the subject of speculation. So long as the future remains partly unseen, the world cannot get a living without risk; and so long as risk has to be borne, there must be the risk-bearer, the speculator. Our choice, therefore, is not between speculation and its absence, but between speculation separated and borne in markets organised to give free play to the expert and speculation entangled in the processes of production or carried out by amateurs whose one-sided optimism tends to increase the number and extent of price fluctuations and, therefore, the amount of risk which the world has to bear.

Mr. Brace gives up a chapter to answer the question: "If not organised speculation, what is the alternative?" In answering the question he deals summarily and convincingly with proposals such as those to prohibit short selling, which would merely cripple one side of the market and weaken the power of the expert to make effective his superior ability to forecast the future. Organised speculation, he maintains, does not on the whole exercise a greater demoralising effect on individuals than speculation which is unorganised; while on the other hand its abolition would involve the downfall of many small business houses and the growth of large interests which would be superior in risk-bearing in consequence of their monopolistic control of industry. As, therefore, risk cannot be eliminated from business, and as the only practicable alternative to organised speculation merely adds uncompensated evils, we need to accept in principle the existing system by which the business world "puts out" a part of its risk-bearing in the organised speculative markets.

It seems that in Mr. Brace's view it is not practicable to do much to fence this dangerous machinery in the way of legislative action analogous to the Factory Acts, though some technical reforms may be carried out by the governing body of the Exchange.

But his main conclusion, a bold but logical one, is that reform can be attained only by educating the amateur speculator to use the market, not for scalping or gambling purposes, but as the instrument on which to exercise a trained intelligence.

This argument is clearly insufficient as it stands; it obtains its full weight only when reinforced by the conclusions of the earlier chapters dealing with the functions of organised speculation; its direct effects on price; its indirect effects on the market, and its moral and social value. These chapters are too rich in material and suggestion to be discussed at all adequately in a review of reasonable length. They leave on the mind an impression of a speculative market as a nucleus of experts—an intensely active centre encircled by a wide penumbra of amateurs impervious to the suggestion of economic events, but highly sensitive to suggestion from the experts at the centre. Sensitive, however, in one way only; they can be counted upon to multiply the influence of an expert bull campaign and to hold on long enough to enable the experts to unload at a profit. But on the other side of the market the bear expert acts unaided, and, indeed, can act vigorously only when prices are distinctly above the true "consumption basis." In a market so constituted daily fluctuations are larger and more frequent, but extreme fluctuations narrower and more rare, than in one which is not organised to give scope to the bears; prices are constantly rising from the "consumption basis" which marks their minimum, and accordingly move about a mean which is above the level at which the stock or produce passes into the hands of the investor or consumer. This surplus price, paid mainly by the amateur speculator who trusts in his star, goes in part to the producer and in part to the experts forming the nucleus of the market.

The chapter dealing with the destructive effects of the market on morality and individual fortunes is marked with the same penetration, reasonableness, and moderation. The argument in this and the other chapters is mainly *à priori* and is not susceptible of inductive proof; but this is in the nature of the subject, and the evident intimacy of the author with the practice of the market gives one great confidence that the weights which he assigns to the various parts of the argument are, at any rate, not far from the truth. In this particular chapter his conclusion is that the speculative exchange has great destructive effects on character and individual well-being; he doubts, however, whether these effects are greater than would result from unorganised speculation, and recognises that one may reasonably lean towards optimism

in judging an organisation which is so recent in growth and so susceptible of improvement with the advance of general intelligence and knowledge.

To attain perfection in dealing with this subject, an author would need to give more even than an acute and able discussion of the more prominent aspects of speculation in the principal markets; he would need to add an exposition of the more fundamental theory underlying the work of the speculator, a theory which, on the one hand, would give an assurance that the discussion was exhaustive, and on the other would distinguish those social services which are *necessarily* supplied in every act of speculation from those effects, good or bad, which must be added to, or subtracted from, the value of this service, and which vary with the circumstances of the particular market or commodity.

Mr. Brace gives us acute reasoning and original inferences, but not that comprehensive theoretical view which alone can be entirely satisfying; and this results in the omission of some considerations which are worth bringing out.

If one starts from fundamentals he must regard the work of the speculator as strictly analogous to that of the trader; the one carrying between two points separated in time, the other between two points separated in space. The essential service, then, which is present in every speculative operation is this act of carrying, and the most important element in the cost of producing this service is risk-bearing. One of the important indications of the success of the speculative market in reducing the amount of risk borne is a narrowing of the fluctuations in price. But it follows that price regulation is not, as I think Mr. Brace would hold, the direct and most important service of the speculator; it is surely only an *effect* of his real service of carrying, an index of an economy which he effects in his principal element of cost. It seems clear that even if the speculative market brought about no improvement in prices, it would still be extremely useful in its work of carrying through time or of risk-bearing, for business people who were more profitably occupied with other things.

There is another point which appears in this theoretical view of the matter. The speculative act of carrying is bounded at one end by a purchase and at the other by a sale. It resembles in this respect any other act of production, but it differs from these other acts in a most important respect; it differs in the fact that the speculator has superior knowledge of the commodity in which he is dealing, and accordingly may be enabled to exact

a price for his services out of all proportion to their value. This, however, he cannot do in the presence of speculators equally well informed, whose competition will maintain prices at a level which will give on the average a fair return to the work of risk-bearing. One has only to compare in thought a speculative real estate market with an organised speculative wheat market to realise how vitally important competition is in protecting investor or consumer from being ambushed by any chance speculator and plundered in the name of superior intelligence. These exceptional opportunities for deception give rise to considerations which seem to be of the first importance; but, important or not, their whole weight goes to reinforce the argument of the author.

There are some other inferences of minor importance, with which Mr. Brace does not deal; most people, however, will be more interested in having the final x's and y's valued than in following their logical progress through the sum to the answer, and they will find here what they require. It is not to be supposed that the book lacks theory; on the contrary, it is full of short trains of reasoning, always persuasive and often original. The author has happily contrived that his intimacy with the subject-matter should not affect the moderation of his judgment, and that, in its turn, this moderation has not detracted from the vigour of his argument. His book seems to me to be a sound and valuable contribution to the subject.

F. LAVINGTON

English Taxation, 1640–1799: *An Essay on Policy and Opinion.* By WILLIAM KENNEDY. (Series of the London School of Economics. London: Bell & Son. 1913. Pp. ix. + 199.)

MR. KENNEDY calls his book "an essay on the basis of Dowell's record—amplified on points . . . on which Dowell is inadequate." He claims, and with justice, that he has amplified Dowell's statements of fact, especially in connection with "the interregnum and the direct taxes of the seventeenth century"; but his chief contribution is covered by the sub-title. He is concerned with the opinion that lay behind taxation policies. It is hard to condense the vapours of opinion and pour them into ticketed literary bottles; and in all histories of opinion there is a temptation to overrate the importance of the people who happened to write or whose writings chance to have survived accessibly. Mr. Kennedy has been on his guard against these risks, and he tries, so far as material will permit, to distinguish the mere *voces clamantium* from those voices which seem representative of the

silent crowds, in or out of Parliament, to whose opinions policy must approximately conform. As our tax histories are few, and as their authors have rarely been interested in questions of this kind, he has an almost virgin field, from which he has gathered a good crop.

His thought is dominated by the relation of early tax policies to contemporary policy, and above all to the policy of income taxes. This being so, it is perhaps a slight blemish that, in his introductory discussion, he should treat the tenth and fifteenth too exclusively as a tax on movables. It sprang from the taxation of "redditus et mobilia," and the Tudor subsidies had really the same foundation. I cannot regard their more systematic attempt to get at certain forms of income as an "important change in the standard of distribution" (p. 18). But this lies outside Mr. Kennedy's main discussion.

A good deal of that discussion turns about the policy of exempting "the poor man"—by which Mr. Kennedy tells us he means the ordinary wage-earner—from taxation. "For the century preceding the Long Parliament the tradition was exemption" (see pp. 22, 83). Customs affected the poor man little, if at all. The subsidy had become "a tax on the middle sort and the gentry." Poll taxes had gone out of fashion. There was neither a practice nor a theory of taxing the poor man systematically. Both developed in the later seventeenth century. The Restoration Excise, at first a very tolerable levy that does not deserve the denunciation which it has received, grew and extended rapidly after the Revolution; although the revived poll taxes had a short life, and the hearth tax passed over the heads of the poor. Meanwhile, thinkers put forward the principle of universal payment for State protection. Mr. Kennedy regards "the acceptance in the seventeenth century of the doctrine that the poor man should pay taxation" [? taxes] as "one of the landmarks in English political opinion." The materials for judging how far the exemption was deliberate for the period 1540–1640 are, of course, scanty. It is not easy to get at Mr. Kennedy's opinion on the matter. After pointing out that the poor ceased to be charged to the subsidy about 1540, he says that, for the next century, they "were very nearly exempt . . . both in intention and practice. Policy, therefore [why "therefore"?], varied; the poor were sometimes made to bear a share of the burden of taxation and sometimes were exempted. It is probable also that there was no consistent opinion on the problem involved; certainly the literature of the first half of the sixteenth century . . . does not give evidence of any doctrine that the poor

either should or should not pay taxes" (p. 83). [Then what about "intention," of which no further evidence is given?]

In the mid-eighteenth century, as is well known, though Mr. Kennedy illustrates the point with plenty of out-of-the-way knowledge, the notion that all should pay taxes prevailed, sometimes taking shape in the Walpolian dogma that the most general tax was necessarily the best. It was the outcome of what Mr. Kennedy nicknames the "freeholder" political philosophy, the Lockean view that society is composed of taxable units of the independent freeholder type. Those who held this view were uneasy when applying it to the really poor; so as the century wears on, and especially during its humanitarian last quarter, the typical attitude is a sentimental desire to relieve the poor of fiscal burdens, but as an act of mercy, not as an act of justice.

One of Mr. Kennedy's leading propositions is that, throughout the period which he studies, hardly anyone regarded the equities of the whole tax system. Men tried to make each tax equitable in itself. His explanation is (p. 73) that, as the period started with a single national tax (the subsidy) which had to be made equitable in itself, "it was inevitable" that the Excise and subsequent taxes also should be looked at in isolation. I confess it does not seem to me to have been inevitable. And, although Mr. Kennedy mentions that only Petty in the late seventeenth, and Thomas Percival in the late eighteenth century (pp. 74, 167) explicitly discussed the compensatory element in a whole tax system, I find it very hard to believe that no one else saw taxation steadily and whole. I very much doubt, in particular, whether Adam Smith was such a duffer in all these matters as he is made out to be. True, he did for the most part discuss taxes *seriatim* and not tax systems, and so far his treatment is defective. Yet there is a sentence in Bk. V., Chap. III., which certainly takes account of the compensatory element, though perhaps somewhat vaguely:—"A more equal land-tax, a more equal tax upon the rent of houses, and such alterations in the present system of Customs and Excise, &c. . . . might perhaps, without increasing the burden of the greater part of the people, but only distributing the weight of it more equally on the whole, produce a considerable augmentation of revenue." This sentence also, and much else in the *Wealth of Nations*, as I read it, conflicts with another proposition of Mr. Kennedy's. He says that one of Adam Smith's fundamental and "familiar" doctrines was that "a tax to be just must be general—it must fall on all the three sorts of income, rent, profits and wages" (p. 143). The reference is to the first page

of the chapter "Of Taxes," that is—presumably—to the sentence in the first "canon": "Every tax . . . which falls finally upon one only of the three sorts of revenue . . . is necessarily unequal, in so far as it does not affect the other two"; a most incontrovertible proposition by no means equivalent to what Mr. Kennedy makes out of it. Smith goes on to say that "he will seldom take much notice of this sort of inequality": surely he knew it to be formal. It would be unwise, in view of his well-known and hearty advocacy of taxes on ground rents, to argue that he regarded such taxes as "unjust" because formally "unequal." Mr. Kennedy makes many good points against Smith, whom evidently he does not like; but in this case he seems to me to have been misled by his predecessor's method, so much suppler and less classificatory than his own. His criticisms of Smith on Income Taxes, of Smith on "improper" taxes, and of Smith on the relation between the taxation of necessaries and the rate of wages seem to me very pertinent; though now and again elsewhere his comments amount to little more than an intricately worded reminder that Smith lived and wrote nearly one hundred and forty years ago.

There is, I am bound to add, too much intricate or clumsy wording; *e.g.* (p 164): "The doctrine that taxes should not fall on necessaries . . . was based on positions which did not have in them the quality of coerciveness"; or (p. 4) the theme of the essay "has the merit of forcing on the attention the wider question, to which comparatively little has yet been done, of the social attitude of what may be called the practical political theories of the period." The essay is distinctive, learned, and valuable, though I cannot agree with all its author's propositions; it would certainly have been more attractive and also more valuable had its style been perfectly lucid.

J. H. CLAPHAM

The Fall of Protection, 1840–50. By BERNARD HOLLAND, C.B. (London: Edward Arnold, 1913. Pp. 372.)

IN clear narrative, with a liberal use of Hansard, and under feelings of intelligible dislike for the radical philosophy of early Victorian days, Mr. Holland describes the fall of Protection in this country between 1840 and 1850. The biographers of Cobden and Bright have recorded the Battle of the Corn Laws from one standpoint; the biographer of Disraeli from another standpoint, which is also shared by Mr. Holland. His analysis of Peel is peculiarly severe. In Peel's financial policy he sees little but a surrender to the opinion of others. The Bank Act of 1844 forms

the subject of a special chapter, in which it is suggested that the triumph of the Currency over the Banking principle was the triumph of the financier over the producer in the person of Samuel Jones Loyd, afterwards Lord Overstone, son of a Welsh Nonconformist minister. But the author's facts are not always reliable. He writes (p. 154) :—"The Act of 1844 made Bank of England notes legal tender." In fact, they were made legal tender by the Act of 1833. And again, on p. 153 :—"The Act of 1833 allowed the establishment of joint-stock banks within that limit [*i.e.*, the London radius], with power to issue notes." "With" should be "without." Summarising the whole controversy, Mr. Holland speaks thus :—"To the lay mind it would seem to be true, if the world is not regarded in the peculiar and unreal aspect which it presents to the eye of a banker or stockbroker, that the general level of wages and prices must be governed by the balance between actual currency and the supply of labour and goods." This is curious philosophy. The banker, the specialist in money matters, is unreal when he talks about his own subject. The lay mind, unable to see through the workings of credit on prices, dismisses it as superficial, and finds the real in the tangible. Alas, for the lay mind!

The best part of the book is that which is concerned with the reaction of domestic on colonial policy. This is one of the few books in which this important point is adequately treated. Mr. Holland shows the utter absence of anything like a constructive colonial policy in these years. Having automatically killed colonial preference by the policy of free imports, Ministers at home had no handle for resisting the colonial demands for full freedom—freedom in the end to set up protective tariffs against the mother country herself. The Act of 1846 gave to the colonial legislatures the power of abolishing the preferences in favour of British goods which had been established by the home Government. The Act of 1850 allowed them to impose such duties as they thought fit against foreign countries and other parts of the Empire, forbidding only differential duties as counter to free trade principles. The Act of 1873 removed this limitation—fortunately indeed, because when, after 1878, Canada adopted a definitely protective system, and the other self-governing colonies in time followed suit, the prohibition of differential duties would have prevented the preferences which these colonies have since granted to British goods. All this is admirably set forth in Chapter XI.

On p. 136 there is a paragraph, with a note attached to it,

which defeats our understanding entirely. The text runs thus:—"In the idea-conflicts between Imperial Union and State Freedom, or Protection and Free Trade, is manifest that eternal dividing-line which separates Catholic and Protestant, Socialist (or Imperialist) and Liberal, Classic and Romantic in Art." On which side of the line was Adam Smith, the apostle of Liberty and the projector of Empire; on which side Huskisson, the cautious pioneer of Free Trade and the ardent advocate of Imperial Reciprocity? Our author does not say; but the note adds:—"It may be fanciful to suggest that the masculine *element* seeks the feminine *principle* of Order, and that the feminine element seeks the masculine principle of Liberty, and that at one period the masculine element is dominant in the nature of men, while at another (as in periods of Liberalism like the Reformation or French Revolution times) the feminine element prevails. But it is worth considering." Then think on it, Mistress Peel; excogitate, Master Dizzy. If you can't agree, appeal to Mother Adam!

C. R. FAY

The Cutlery Trades: An Historical Essay in the Economics of Small-scale Production. By G. I. H. LLOYD, M.A., Associate Professor of Political Economy in the University of Toronto. (Longmans. 1913. Price 12*s*. 6*d*. net. Pp. xvi. + 493.)

MR. LLOYD was for some years lecturer on economics at the University of Sheffield, and while there he had full opportunities of observing the contrast between the large-scale and well-organised steel and engineering industries, which now dominate the town, and the ancient, small-scale cutlery trades which first made the district famous. He appears to have made very thorough investigations into the actual conditions of the descendants of the old handicrafts, as well as researches into their history, and to his industry we owe what will probably long be the standard work on the cutlery trades. Thoroughness and accuracy by no means spell dullness in his case, and despite the figures and dates which are provided in plenty, his narrative is almost fascinating.

In order to provide a background for his special history, he first sketches the general development of industry from the family system to the handicraft with its elaborate gild organisation; then traces the emergence of the merchant and the growth of the domestic system under which he gave out work to the artisan who owned his own tools; and shows the rise of the "under-

taker" who first concentrated production under the system of "manufacture" and finally utilised power in the modern factory. He gives next a very clear account of the process of manufacture of the different kinds of cutlery goods, from which it becomes plain how very large a part is still played by manual labour. Forging is, however, becoming more and more a machine instead of a hand trade, more particularly in the case of scissors while saws and files are on the eve of becoming entirely factory trades. The building up of a pocket-knife, on the other hand, may require as many as 150 operations in the case of a four-bladed knife, and, owing to the great variety of patterns which have to be produced, such goods must continue to a large extent to depend on the manual dexterity of the workers. A short chapter on the raw material follows, with some interesting details on the struggle of English iron-masters to protect themselves against the purer iron of Russia, Styria, Sweden, and Spain.

There was a cutlery gild in London in the thirteenth century; at first there were three independent crafts, the cutlers or haft-makers, the bladesmiths, and the sheathmakers, but the cutlers obtained the dominance, and in 1415 the three fraternities united into one Company. Owing to lack of communications, the trade was widely spread over the whole country, so as to serve the local markets, wherever there was access to native or imported iron. Only with the development of national security and the construction of roads did the number of manufacturing centres diminish in consequence of the economic advantages of those most favourably placed. Everyone has heard of the Sheffield whittle mentioned in Chaucer, and by the reign of Elizabeth Sheffield had won a considerable reputation for plain goods. The settlement of alien refugees in the latter half of the sixteenth century was one cause of the rapid increase in the Sheffield industry of that period. Originally the ordinances of the cutlers of Sheffield were sanctioned by the Earl of Shrewsbury, who was the lord of the manor of Hallamshire and owned the iron-works of the district; but in 1624 a charter was granted incorporating the makers of knives, blades, shears, scissors, sickles, and other cutlery wares. During the seventeenth century the inspection of goods was one of the chief functions of the Company, but it became more difficult as trade expanded, and in the following century the apprenticeship problems were a source of strife till in 1814 access to the trade and admission to the Company were thrown open. The Company early became a close corporation, and its oligarchical rule produced much discontent which was intensified as the industry

began to split up into the large masters, the small working masters, and journeymen. The Company was finally democratised in 1860 and the tool and steel trades admitted.

Early records of the magnitude of the industry are necessarily scanty, but in 1624 there were 24 grinding-wheels (or factories), while in 1770 there were 133 settled along the mountain-streams; the latter number would accommodate about 1,200 persons. In the eighteenth century the typical Sheffield cutler and grinder was "a rough and uncouth artificer, whose hard daily toil brought with it few of those alleviations which we should regard as the essentials of a civilised existence"; in 1769 wages ran from 9*s*. to 20*s*. a week. To-day the industry suffers from lack of organisation. The advent of steam brought concentration of the workpeople, but the old handicraft ideas still remained. By the side of the large factory-owner with his own directly-paid staff, we find the "little master" surviving from the domestic system, owning his own tools, renting his own workshop or a "trough" or a "side" in a public wheel, and taking out work from merchants or manufacturers, or making goods on his own account and hawking them at markets or selling them to factors. By the side of the fully-skilled craftsman we find the datal man or journeyman working in a team. Little capital is required by the little master, who is but a small degree removed from the workmen he employs. It is impossible to regulate production according to the needs of the market, or to prevent the manufacture of cheap and nasty goods, and it is equally impossible to organise into trade unions crafts where the line between employer and workman is not sharply drawn, where the employees are not congregated in masses under the rule of individual firms, and where sections of manual work are constantly threatened by foreign or factory competition. There are few recognised rates of wages, and earnings to-day run from 18*s*. to 60*s*. a week, according to the class of trade and the skill of the operative.

A considerable portion of the book is devoted to a history of trade unionism in Sheffield, and a brief survey is given of all the trade societies individually. Many interesting proposals have been made in the course of the very chequered career of the labour movement in Sheffield for trade federation and for insurance against unemployment, but we cannot afford space to deal with them here. "The dominating feature of labour organisation in the cutlery trades," says Mr. Lloyd, "is the multiplicity of the individual sectional tradé unions. . . . In the early days of the labour movement it was natural, and indeed inevitable, that trade

unionism should proceed on sectional lines; but the persistence of this type of association into the nineteenth century furnishes a striking manifestation of the conservative adherence to early tradition and trade custom which characterises the cutlery industry, not only in this question of labour organisation, but on every side of its activities." To-day the unions appear practically powerless.

Cutlery exports have risen from £556,000 in 1898 to £883,000 in 1912, but German exports are about fifty per cent. higher. The Master Cutler said in 1907: "The cutlery trade is kept down by German competition, which is, in some respects, on more scientific and better organised lines. The wages in the cutlery trade in Sheffield will not rise, in my opinion, until we have brought more machinery into the trade." Solingen, our chief competitor, has a long history in the production of cutlery, but by the middle of the nineteenth century its reputation was entirely gone. Then came a transformation, when machine-made goods drove out the cheap rubbish, and gradually a great fame has been again built up. "The reasons for this great success are to be found first in the rapid development of mechanical forging, in which respect Sheffield has been entirely outdistanced. The second reason is the achievement of securing the preservation of outwork under the most satisfactory sanitary conditions, especially in the grinding branches, a development which has been aided on the one hand by the availability of electrical energy, and on the other by stringent sanitary and factory regulations. In the third place, the workers have been able to offer a stout resistance to the debasing effects of unregulated outwork, by building up a labour organisation remarkable alike for its inclusiveness and its solidarity." To these Mr. Lloyd adds the *Fachschule* for the cutlery handicrafts and the compulsory system of apprenticeship. "Thus, regarded as a whole, the position of the Solingen workers is exceptionally favourable, and it is not surprising to find that they present a fine body of men, remarkable alike for their prosperous industry, high intelligence, and sturdy independence." One gathers that Mr. Lloyd, though he does not say so directly, is of opinion that Sheffield employers and Sheffield workmen have both something to learn from Solingen.

HENRY W. MACROSTY

Maritime Enterprise, 1485–1558. By JAMES A. WILLIAMSON. (Oxford: Clarendon Press. 1913. Pp. 416.)

THERE was undoubtedly a crying need for books on this subject. It is a national disgrace that the scholarly work of Schanz, published in 1881, should have remained without a translator or a rival. In the meantime a great part of the essential material has become more accessible in the various Calendars of State Papers, especially those edited by the late Dr. Gairdner. But although the task has thus been lightened, it is still far from easy. A comprehensive view of Tudor commerce is impossible without a grasp of mediæval developments; and here, too, the printed materials have rapidly grown, but have met with no adequate expositor.

It would therefore be unjust to expect the first-comer to cover all the field, or to be other than grateful to any serious scholar who attempted to cover any part of it. Mr. Williamson's book falls naturally into two halves (though the chapters are intermingled), one dealing with maritime enterprise and discovery, and the other with commercial policy and organisation. His natural bent is for the former of these subjects. The connected account he gives of the voyages of the Cabots, of Thorne and Phillips and Hare, of Hawkins, of Willoughby and Chancellor will be welcomed by all students of Tudor history, especially as they are accompanied by many charts of the period and by illustrations of Tudor ships. Mr. Williamson's chief claim to originality in this section of his work lies in Chapter IV., where he labours to establish the fact that Sebastian Cabot not only took part in the two famous expeditions of his father in 1497 and 1498, but was himself the commander of a third voyage in 1499, and was the first to seek the north-west passage. The previous chapter, dealing with the voyages of 1497–8, would have gained considerably in literary form if the full citation of all the documents in the text had been dispensed with, and this course would have been fully justified in view of the excellent edition of them recently furnished by Mr. H. P. Biggar in his *Precursors of Jacques Cartier*.

It is, however, with the chapters on commercial policy and organisation that we are here mainly concerned. The commerce of the early Tudors needs a historian even more than the maritime discoveries of the period, and Mr. Williamson has devoted considerable research to the subject. His chapter on "Henry VII. and his commercial policy" and those dealing with the several

branches of English foreign trade under Henry VIII. present in a bright and readable, if occasionally somewhat journalistic, style facts hitherto inaccessible to those who could not read Schanz; whilst in the chapter on "The Fall of the Hanse" he opens up a subject untouched by Schanz, only partially explored by later German scholars, and of the greatest interest to English readers. Mr. Williamson's book will thus perform the valuable service of introducing new students to a neglected field.

The defects that counterbalance these merits are, however, serious ones. Nowhere more than in the sixteenth century does history need to escape from the mythopœic illusions of the patriotic imagination into the calm atmosphere and dry light of science. Mr. Williamson imports the spirit and methods of *Westward Ho!* into economic history. In his view, Henry VII., by his mercantilist policy, was unconsciously laying the foundations of the British Empire. Henry VIII. and Wolsey, it is true, neglected expansion, in the pursuit of Continental intrigues; but—"in the long run this was not disadvantageous. An enduring empire was only to be built upon a basis of consolidated experience and battle-worthiness, which England had yet to acquire, and which Henry VIII. was in large part to supply. . . . The sixteenth century is the first of the great tradition-building periods of English history. The tradition which it produced and which flourishes in a tarnished form to the present day was that Englishmen were unsurpassed as fighters, explorers, traders, and money-getters by every means, fair or foul, upon the sea." To approach the study of mercantilist policy in this temper is to bring foregone conclusions. We need not therefore be surprised to be told of the Navigation Act of 1489:—"its importance cannot be over-estimated. It remained in full operation for more than sixty years, and besides producing a mercantile revival, it provided a training ground for the seamen. . . . In addition, such a policy has a moral significance: it was a blow to foreigners and gave Englishmen a sense of privilege which was gratifying to their pride." But then a moral stimulant of this sort was a cheap device that might be readily adopted by other nations. On the two or three occasions when the navigation laws were seriously enforced, the Spanish and Burgundian Governments retaliated with serious consequences to trade and procured their suspension. Moreover, as Mr. Williamson indicates, diplomatic and fiscal motives played a large part in their enactment. Licences of exemption were regularly granted so that they benefited trade on the same principle as the pins in the schoolboy's essay saved

human lives. The Act of 1559, in repealing previous navigation laws, declares them to have been a mistake and a failure, injurious to commerce and irritating to foreign Powers. Mr. Williamson argues that the protection of the shipping interest would benefit the merchant adventurers who owned the ships. How is it, then, that we find them in the Act of 1559 obtaining special exemption from its restrictions?

The value of the chapter on "The Fall of the Hanse," which would have otherwise been great, is seriously diminished by the same uncritical spirit. "Henry VIII.," we are told, "from his lofty standpoint viewed the interests of the nation as a whole and placed its safety above the mere sectional desire of the merchants to score off their foreign rivals. Consequently, he seems to have been over generous in his treatment of the Hanseatic League, to have failed to realise that it must be crushed before England could take a leading place among the maritime nations. . . . When the time came the inevitable happened, and our trade was free to expand without the drag of privileged competition within our gates." This notion of an inevitable duel to the death between England and the Hanseatic League is a pure myth, without any basis in historical fact, and is none the less dangerous, because it is shared by patriotic German scholars, who, indeed, originated it. The Hanseatic League was not crushed by England. The decay was due to the opening of new oceanic routes, to the development of the nations round the Baltic and of its own German hinterland, to its mediæval constitution and its persistence in obsolete methods and claims. The two former conditions need not have proved fatal to Hanseatic prosperity apart from the two latter conditions. Although the new oceanic commerce dominates the imagination of the historian, the sea-borne trade between North and South Europe continued to be far larger, and in this trade the Hanse was displaced not by England, but by the United Provinces, which had learned in the school of adversity a greater adaptability and freedom, and which had solved, for the time, the problem of combining the interests of town and country.

That, with the development of native commerce, the Hanseatic merchants should lose their privileged position in England, was no doubt inevitable, but this need not have involved their expulsion from the Steelyard and the stoppage of their English trade. Indeed, the Steelyard men continued after the loss of their privileges to carry on, during the greater part of Elizabeth's reign, an export trade in cloth which was of great importance to the prosperity of English industry. The ultimate stoppage of this

trade owing to further conflict between the obsolete claims of the League and the monopolistic policy of the Merchant Adventurers, was an unmixed evil, both to England and to Germany. To regard it, as some German historians do, as a triumph for English national economy is not only to identify the interests of the nation at large with those of the merchants, but, further, to identify the interests of a rapidly expanding commerce with those of a single close corporation on which the Government had conferred a strict monopoly for fiscal purposes. Mr. Williamson does not seem to realise that all legislative protection of the native shipping and cloth-finishing industries involved a corresponding restriction on the less corporately organised but more important industry of cloth-making. Not only the Hanse, but the country clothiers and the free-trading English merchants were strenuously opposed to the monopoly of the Merchant Adventurers.

The need of an outlet for the expanding country cloth manufacture supplies the main clue to the commercial history of the Tudors. When in 1539, Henry VIII., probably from merely diplomatic motives, placed alien exporters on the same footing as natives, the alien exportation was enormously increased, whilst native exportation maintained nearly its ordinary level. The total annual exportation increased by about thirty thousand pieces during the seven years of free trade, and there was no loss of revenue by the change. In 1547, when this freedom was withdrawn, the exportation tended to shrink to its former level, but some of the increased production tried to find an outlet through the agency of the Hanse merchants, who still were allowed to export at the lower rates. It was at this moment that the Government withdrew the Hanseatic privileges in order to make use of the Merchant Adventurers in a series of forced loans and attempted manipulations of the foreign exchanges. Mr. Williamson very justly condemns this policy "as a stake thrown by an irresponsible gambler," but only on the grounds of the risk of naval reprisals on the part of the League. The evil consequences actually realised were much greater. The closing of the one remaining alien channel of exportation and the simultaneous limitation of the membership of the Merchant Adventurers was directly and causally connected with the legislation passed in the years 1551–8 restricting the expansion of the country cloth industry.

Another point of some importance must be noticed. Gresham's statements about his own feats upon the foreign exchanges should surely not be accepted, as they usually are, without question. What Gresham speaks of as fluctuations in the rate of exchange

were due to violent shiftings in the currency basis. As the fall in the exchange value of the English pound from 32*s*. Flemish to 13*s*. 4*d*. is fully accounted for by the English debasements, so the rise in the exchange from 16*s*. to 22*s*. Flemish for which Gresham claims credit can be explained by the simple fact that the debased English shilling was at that time being called down, first to ninepence and then to sixpence.

GEORGE UNWIN

Co-partnership and Profit-sharing. By ANEURIN WILLIAMS, M.A. (Home University Library. London: Williams and Norgate, 1913. Pp. vii+256. 1*s*.)

As Chairman of Executive of the International Co-operative Alliance and Hon. Secretary of the Labour Co-partnership Association, and as one who has devoted a great part of his time for more than twenty years to the forms of industrial association with which this volume deals, Mr. Williams writes with exceptional authority and intimacy and with a background of study and experience which give equal weight to any positive claims that he may advance and to any limitations which he may recognise as appertaining to what he regards broadly as the best and most hopeful form of industrial organisation in sight.

The volume gives clear and interesting accounts of several of the well-known illustrations of co-partnership—Leclaire, Godin, Taylor, Lever—the significant opinion of the founder of the last being quoted that "the basis of success in co-partnership means improvement in management"—the South Metropolitan Gas Company, and others, together with a few that are less well known, notably that of the N. O. Nelson Company, of St. Louis, Missouri. In this case we find an extension of the system of profit-sharing and co-partnership, including representation on the board of directors, not only to employees, the origin of this part of the scheme dating from 1886, but also, since 1905, to customers. As Mr. Williams points out, there is thus an interesting correspondence between the relationships which a large and liberal-minded employer like Mr. Nelson has established and those prevailing in some purely co-operative enterprises such as that of the Scottish Wholesale Society.

Although Mr. Williams has written his book to describe a movement destined, he thinks, "to transform autocracy and monopoly" in industry into "democracy," "gradually, peacefully, and with profit," a word that is used here doubtlessly to convey more than a simply economic meaning, "to all concerned," he

does not hesitate to indicate difficulties that stand in its way. Prominent among these appear to be the Trade Union dislike of tendencies which often appear to make for sectionalisation, the collectivist ideal, and the need in industry for the maximum of individuality, of enterprise, and of adaptability to changing conditions.

With regard to Trade Unionism, the author's position is quite clear: without the standard wage, one of the great, albeit insufficient, ends of organised labour, "profit-sharing can hardly be anything but a delusion" (p. 205); and if by this means or by its fuller development, co-partnership, "employers expect to detach their workmen from the general interest of their class, they are bound to fail" (p. 207). According to Mr. Williams, Trade Unionism will still be necessary and still have its assured place, however great the extension of co-partnership may be.

Needless to say, Mr. Williams is no adherent of Collectivism, but he recognises fields, such as great monopolies in respect to which there is reason to think that some alteration of control would secure a better serving of the public, where there is a presumption in favour of State or municipal ownership—a form of control, it may be noted, that he still considers may possibly be advantageously combined with some recognition of the principle of co-partnership.

But probably it is felt that the greatest obstacle to co-partnership is found in the difficulty of combining it with what is regarded as the necessary degree of freedom in management. The importance attached to this appears to be the chief explanation of the tentative and experimental form of so many of the schemes of profit-sharing and co-partnership that are evolved. The strong desire that exists to bring about "improvements in industrial relations and the system of sharing wealth" (p. 146), into which, it may be noted, genuine schemes of industrial betterment of every kind may be to a great extent resolved, tends to be checked by the other desire not to risk being hampered in initiative and in decision. If any general criticism of Mr. Williams's treatment is called for, it would be, perhaps, that his analysis of the present situation—illustrated, for instance, by the statement that "industry may be organised, as it is for the most part in the modern world, on a basis of pure individualism, each individual seeking his own benefit and that of his family" (p. 233)—is a little incomplete. With some reiteration we find the question asked as to whether this or that experiment described is or is not properly to be regarded as "co-partnership." For

various reasons it is doubtless desirable to have as clear an understanding as possible of what is meant by this term, but it is clear that formal arrangements cannot in themselves be adequate or conclusive. An illustration of this is found in Mr. Williams's comment, in connection with the suggestion that Parliament might encourage co-partnership in respect to the issue of public contracts, that "without having the co-partnership spirit," certain contractors "might adopt its form in order to qualify for Government contracts" (pp. 229–30). In this, as in other things, it is the spirit that quickens, and in industry, in which the simple relationship of "employer and employed" is retained, it is perhaps well to recognise that differences exist as important and far more varied than under co-partnership itself. These experiments are of great interest and value, but so also are the doings of every centre of ordinary employment in which the various parties concerned are guided by a fine sense of the opportunities and responsibilities of their respective positions and powers. It is not improbable that as great a field is open for experiment, for discovery, and for improvement in the ordinary but immensely diversified relationships of employer and worker as when organised and formal changes in that relationship have taken place. But this comment is not intended to detract from the interest of that particular form of industrial association to the study and furtherance of which Mr. Williams has set his own hand, and his book can be confidently recommended as a clear and fair description of what is being achieved and of what is hoped for in that direction.

ERNEST AVES

Revolutionary Syndicalism. By J. A. ESTEY, Ph.D. (London: P. S. King. 1913. 7*s*. 6*d*. net.)

THIS book, at once expository and critical, and the first comprehensive review of Revolutionary Syndicalism in the English language, fills up a gap in our social science library that has long wanted completion. Dr. Estey has carried out his task well. The Syndicalistic position is clearly explained, the argument is lucid, and the criticism, though almost entirely destructive, is nevertheless quite free from social and moral bias.

Revolutionary Syndicalism was reached by "a process of elimination." Out of the failure of French Parliamentary Socialists to satisfy the hopes of their supporters arose the idea of direct action through non-political organisations, the Trade Unions, combined into one great movement, the General Strike. Thus Syndicalist theory was based on practice rather than the

reverse. And although, thanks principally to Sorel and the practical Syndicalist leaders, the theory has been developed far beyond the practice, on lines, too, quite distinct from other schemes of social reform, yet many people are apt to suppose that Syndicalism has the general strike as its only unique characteristic. In the first chapter, therefore, the author is concerned with establishing the individuality of the Syndicalist creed. He shows how Syndicalists proper differ from those reformers, who are indifferent as to the method of reform, as well as from Parliamentary Socialists in particular, by their adoption of uncompromising class-war conducted only by strikes; further, how they differ from Socialists in the accepted sense of the word by their policy of decentralisation, and by their wish to establish entirely new institutions, rather than to mould the old institutions of capitalism to new uses.

In the second chapter some account is given of Syndicalistic organisation, in effect of the C.G.T. A few statistics prove that the formidable character of the C.G.T. is largely illusory, since it comprises well under one-half of the organised labour of France. Moreover, it includes a peace-party composed of those men who are in favour of peaceful methods, or who, upholding the general strike only as one weapon out of many, are therefore not strictly Revolutionary Syndicalists at all. This party, Dr. Estey holds, is likely in the near future at least to control the policy of the whole organisation. The distaste of French Trade Unionists for regular subscriptions, the antipathy of uneducated men generally to authority and discipline, and the inertia of the larger Unions and Federations are further obstacles to the prosecution of successful class-war by the Syndicalistic method.

Having established in his first chapter the integrity of Revolutionary Syndicalism in relation to other schemes of reform, Dr. Estey proceeds to show that it is not without its own inconsistencies. He brings out with admirable lucidity the discrepancy between Sorel, the detached philosopher who can push his theories to their logical conclusions, and the leaders in action, who must suit their theories to the taste of their followers, or else lose their support. Sorel apparently perceived that either the general strike, if carried into effect, must result in confusion, or else the working men must first be trained in the functions of a modern state, which could only be done by the gradual transference of capitalistic control. He therefore exalted the general strike into a myth, summarising, as it were, the protracted class-war in a single vivid picture or myth. The practical leaders,

however, could not afford thus to postpone indefinitely the victory and the spoils. To keep the fighting spirit from atrophy, they have been driven to compromise and to encourage the prosecution of strikes, as "general" as possible, for a "gymnastic" or training; a poor enough gymnastic, as Dr. Estey comments, when but few take part in it with ardour, and those few are usually discouraged by ignominious defeat.

Again, there are other inconsistencies into which Pouget and the other leaders are forced by the exacting character of their supporters. For instance, owing to the paucity of keen revolutionaries, they are at pains to uphold a sort of aristocracy of leadership, affecting to despise majority rule; and because the smallest unions are the fiercest fighters, they stoutly oppose any form of proportional representation in the C.G.T. On the other hand, the jealous suspicion of the Unions proves to be an irrefutable argument for the highest possible degree of decentralisation and indiscipline. But how, asks Dr. Estey, are such wholly independent organisations in the event of victory to harmonise demand and supply? How are they to control industries in which centralised and autocratic management is the most important economy? How primarily is a general strike to be conducted if the Labour army will not obey its leaders?

It is hardly necessary, however, to insist on minor weaknesses. For, after all, the general strike is the cardinal point with the failure of which Revolutionary Syndicalism is negligible in practical politics. And the general strike Dr. Estey proves, to any ordinary mind conclusively, is a weapon absolutely untrustworthy. Against it must be reckoned the indiscipline of the French working men, their vacillation, their lack of resources, the aptitude in the hour of difficulty to submerge the common good in particularist interests; on the side of capitalism vast material resources, the control of communication and of organised armed force, and the long-tried machinery of the modern state. In the case of capitalism struggling for existence the general strike must fail. Yet it is possible that Dr. Estey has somewhat under-estimated the value of the strike, especially strikes of combined unions, as a means to gain less drastic reforms. Granted that they have been in the past partial or complete failures, yet mal-organisation and mis-timing are faults which may be to a great extent cured. There are also two factors that Trade Unionists do not take sufficiently into consideration. One comes into play when the *bourgeoisie* are threatened with a greater loss than might be involved in the

demand of the strikers, as by an external war. At a time of severe international pressure an opportune strike of miners, railwaymen, and telegraphic operators might gain very large concessions, loyalty to a capitalistic state being no part of the Syndicalist creed. The other factor is the third party to a large strike, the consuming public. In their anxiety to divide the population into two hostile camps of Capital and Labour, Trade Unionists are apt to forget that even in a strike of much greater dimensions than any at present effected there are large numbers of citizens who are no doubt capitalists, but are affected financially by the result of the strike either not at all or so little that their sympathies and political influence will be guided principally by their notions of justice. To enlist the support of these moderate men, though of course quite foreign to Syndicalism proper, might be very well worth while for strikers demanding something less than the entire subversion of the existing order.

Dr. Estey tries to close on a cheerful note, applauding the Syndicalists for their own untiring energy and for keeping alive in the French working class the desire for its own betterment. But the truth is, as he clearly proves, that Syndicalism is exploded. The foundations were far too slender to bear the superstructure that has been put upon them. And Sorel's Syndicalism, which alone bears examination, is as idealistic and remote as any Utopia, certainly more remote than the hopes of the Parliamentary Socialists, whose slow progress gave popularity to the general strike. The working classes will never be able to make effective their real power until they have learned how to use it. Meanwhile, the thing to be done is to push on their education, and that on the broadest and most liberal lines. To the latter Syndicalists would not agree.

F. McM. HARDMAN

The Tendency Towards Industrial Combination. By GEORGE R. CARTER, M.A. (London : Constable. 1913. Pp. 386. 6*s*.)

THE title of this book, which is the first attempt of Mr. Carter as an author, is perhaps somewhat deceptive, since it deals with the combination tendency on one side only of industrial affairs. One would have wished to see the combination of workers treated as well. The book is full of facts and reveals the great amount of pains the author has taken in collecting material, but we think that if there had been a little less illustration and more method and arrangement its value would have been enhanced considerably.

It bristles also with bad writing and slovenly expressions, which make the reading of it less enjoyable than it might be.

Without wishing to quarrel with the author, we must take exception to some of his conclusions. On p. 32 he states that "the central management (of a permanent combination) naturally has full and complete control over the functions and resources of the combined firms, which lose completely their individual identity and independence; these are merged in a common organisation comprising them all. The resulting combination has legal standing and corporate existence as one company." But anyone who is at all acquainted with Trust promotion knows that this need not necessarily be the case. By buying up the majority of shares in rival companies, a Trust may run many companies. Each firm has its own identity, although that identity is merged in that of the Trust. If, as Mr. Carter says, these Trusts are for all time (p. 32), then, when the law declares them to be illegal, as it has done in the U.S.A., surely the constituents of such combinations must be entirely destroyed. Yet in the case of the Sugar Trust and the Whiskey Trust this was not so. They reverted from the Trust form to the several original companies without any friction. Professor Jenks says that "in both cases there was substantially no change in the management, the trustees of the former Trust becoming the directors of the new corporations, and the officers of the new corporations substantially the same as the officers of the Trust. It was a change in name, a change in technical legal form, but no change as regards the practical management of the organisation."

Pages 40, 41, and 42 land us in a fog as to what Trusts really are. Mr. Carter has so interspersed these pages with definitions that one is actually at a loss to know what he is talking about. We should prefer him to give one definition and then show the various deviations from the original and the different aspects of the "hybrid." What great difference is there between the class which "effectively puts an end to competition" and the class which goes "further and gives the resulting organisations an appreciable or substantial degree of monopolistic control"? Is it not true that monopolistic control varies inversely as the strength of competition is felt by the would-be monopoly firm? Does not monopolistic control eliminate competition, and is it not for this purpose such control is sought? Indeed, Mr. Carter admits this on p. 52 by quoting from Mr. Bolen that "the purpose for which most of the combinations have been organised is the acquirement of some degree of monopoly if it is at all possible." For how can

a combination eliminate competition without possessing some kind of monopoly, be it legal, potential, or capitalistic? By financial juggling a big Trust can prevent a rival firm establishing itself, and if it does not kill its rival will, in the last resort, absorb it. It may be that a combine with a so-called capitalistic monopoly may consider it wise to attempt to secure its returns permanently. To do this it must keep prices somewhat above competitive rates, but low enough so as not to tempt competitors into the field; and it also must be able to put them, without absolute loss, lower than it would be possible for an ordinary rival to manufacture and sell. By putting prices down it can compel its few rivals to follow. By putting prices above former competitive rates it can for a considerable time control sales, as other sources of supply cannot fill the market. If its small competitors put prices up they will make practically no sales, inasmuch as the combination can supply on short notice the entire market, while if they put prices below market rates, the combine need not necessarily follow suit, as the small rivals are not able to supply the market. By a unified control the combine is strong enough to hold competitors well in check by its power to put prices higher than the former competitive rates, and at the same time exclude nearly all its rivals.

There are other weaknesses which we should like to deal with if it were not equally necessary to point out the keynote of the book. Mr. Carter very opportunely invites our attention to the necessity of reorganising the management of our big industries. If England is going to hold her own in the industrial world against foreign countries, we must see to it that those industries which have international connections are reorganised in a manner compatible with the growth of social and international intercourse. As a general rule, the limited company is at best a national, or even a local, form of organisation, most efficient in its working when competition from outside districts seems a negligible factor. But when foreign invasion is on a great scale, although the same company may still make great profits, it is, nevertheless, inefficient from a national point of view, and unless such companies are reorganised quickly, either into a "permanent" whole or brought under the rules of an amalgamation, there may be a danger of the loss of that industry to the country. As Mr. Carter points out, it is the reorganisation of our systems of production that will save our commercial prestige, not a rearrangement of our fiscal system. Of course, it would be foolish to expect that England will ever again take the lead in the manufacture of iron goods, but if our captains of industry follow the lines which, as Mr. Carter points

out, they are now taking, then we can reasonably hope to get a share of the world's market proportional to our resources.

The sections that deal with the South Wales industries reveal the author's thorough acquaintance with the manufactures of the Principality. This fact in itself ought to commend the book to the Welsh economists. We congratulate Mr. Carter on his book, and await his next contribution to the science of economics.

LLEW. JONES

The Policy of the United States towards Industrial Monopoly. By O. W. KNAUTH, Ph.D. (Columbia University Studies, No. 138. P. S. King & Son. 1914. Pp. 233. Price 2 dollars.)

THIS is a historical and critical survey of public policy in the United States with regard to Trusts, commencing with the New York State Commission of 1888 and the cancelling of the charter of the North River Sugar Company. The report of the Congress Committee of 1888 prepared the way for the Sherman Bill of 1889, and Mr. Knauth gives a very full account of the ups and downs of the debates which led to the Act of 1890. He then describes with equal fulness the attempts which have been made to strengthen the Federal Law up to the end of the Taft *régime*. These twenty-three years, during which public opinion was much concerned in the question, produced an abundance of futile discussion, but no tangible legislative results beyond the Acts of 1903 and 1910 to expedite proceedings, and the creation of the Bureau of Corporations under the former Act. There have, however, been many investigations by resolution of Congress. The chapter which embodies the decisions of the Supreme Court is an interesting supplement, as indeed the whole book is, to Mr. Stevens' recent volume. Mr. Knauth's conclusion is that the Government has not yet undertaken a serious study of the difficult economic issues involved in the growth of Trusts, and that the Executive "has been largely impotent." While the Supreme Court, though "displaying a growing and well-nigh complete grasp of the economic problems involved, has, because of limitations inherent in its nature and functions, been unable to cope in a constructive way with the vast problem which confronts the country." This painstaking and very clear study of documents is of special value to English readers, especially when a new chapter seems about to open in American economic policy.

D. H. MACGREGOR

L'Evolution du Commerce du Crédit et des Transports depuis cent cinquante ans. By B. NOGARO and W OUALID. (Paris: Felix Alcan. 1914. Pp. 444.)

THE joint authors of this book, by the conception and performance alike of the task they have attempted to discharge, have drawn appropriate attention to the real character of the connecting bonds between the growth of industry and the development of trade. It is possible, as they have shown, to prepare an adequate informing narrative of the evolution of commerce during the last century and a half, which has been admittedly an unparalleled period of industrial change, without attempting to embrace within the limits of the story an exhaustive statement of facts and forces which can properly be distinguished as industrial. No one, of course, can doubt that industry and trade are necessarily connected, and that in a very real sense they are mutually dependent. But it is none the less true and significant that England, for example, reached a position of commercial eminence before the industrial revolution; and in some degree, at any rate, the more correct historical view is that which treats an extensive and expanding trade as provocative, by the powerful stimulus of its imperative demand, of the discovery or invention of new or improved methods of manufacture. Similarly, it is both necessary and advantageous to remind those who are wont to describe the industrial changes as "revolutionary," that an effective system of credit, and a veritable transformation in the means and modes of transport, whether by water or by land, were required to give full scope to those mechanical inventions which followed one another with such amazing speed and in so copious an abundance at the close of the eighteenth and the opening of the nineteenth century.

It was accordingly worth while to write, as Professor Nogaro and M. Oualid have now done, a history of the evolution of commerce from the end of the "ancien régime" to the present day. The tale begins with the monopolistic spirit of the mercantile system, and, after the introduction and exaltation of *laissez faire*, ends with the appearance of trusts and corners. Starting with a time when commerce was the more prominent of the two, it records how commerce yielded primacy of place to industry, and then at the close once more no inconsiderable measure of important influence is restored to it as an international factor. The story is told with accuracy and verve. It is well planned and proportioned. Nor are the chapters interwoven with those devoted to the chief

theme, for the treatment of which one writer is in the main responsible, less successfully handled by the other. In the description of money and of credit—the potent instruments of business dealings—the information furnished is so up-to-date that the "gold-exchange standard" receives due notice; and on the vivid pages devoted to transport the recent "conquests of the air" are not neglected.

L. L. PRICE

Kommunales Jahrbuch, 1913–1914. (Jena: Gustav Fischer, 1914. Pp. lxxv + 852. 23 marks.)

THE German *Kommunales Jahrbuch*, compiled and edited by Drs. H. Lindemann, R. Schwander, and A. Südekum, has reached its sixth annual issue—it appeared first in 1908—and it already holds a unique place amongst works of reference relating to German municipal organisation and administration. The book was conceived on original lines, and hence it covers ground hardly touched by the well-known *Statistisches Jahrbuch deutscher Städte*, which, as its name implies, is devoted almost solely to the collection of statistics of a comparative character, and, moreover, deals only with towns with a population above 50,000. In contrast to the *Statistisches Jahrbuch*, the *Kommunales Jahrbuch* covers the whole field of urban administration. Its special excellence consists in the fact that it is not a mere undigested collection of facts and figures, but aims at presenting year by year a connected record of municipal work in every department—the experiments made, the laws and by-laws passed, the congresses and discussions held, the literature published; in short, of all the manifold activities which have as their object the life and welfare of German towns. The work devotes special sections to the organisation of public health administration, the system of municipal scavenging, the measures taken to control the purity of the food supplies in towns, and the experiments made by many towns in the sale of meat, fish, and vegetables, as well as in grazing and dairy-farming; the extent to which German towns have provided public baths; the measures adopted to combat disease of every kind; town planning and housing reform; education in all its branches; the medical inspection of scholars; the social welfare and labour policies pursued by the towns; the position of municipal officials; the administration of the Poor Law; the working of municipal trading enterprises (gas, electricity, and water works, tramways, savings banks, &c.); the finance and taxation systems of the towns; police administration; fire

brigades; the position of women in communal administration, and other questions. The whole of these subjects are dealt with not sketchily, but with a thoroughness and a wealth of detail that make the *Kommunales Jahrbuch* a veritable mine of information, invaluable to municipal workers in this country who are wishful—as serious social workers should be—to know what is going on in a country whose system of municipal administration is second to none in the world, and in some respects is far ahead of any other. Although the work is not mainly or in any special degree statistical, like the *Year Book of German Towns*, to which it is an indispensable companion, ample statistical data are given where they are of value, and the specialist will find the elaborate tables relating to the gas, electricity, and tramway services of German towns exemplary in their way. Incidentally, these tables bring out in a striking manner the fact, which must impress all English students of German municipal government, that German towns work their trading enterprises far more deliberately and systematically from the standpoint of profit and revenue than is the case in this country. Here the effect of Government pressure may no doubt be seen, for no German Government likes to see the income tax unduly raided for local purposes; hence the common injunction that in their search for revenue the communes must first develop their business undertakings to the utmost, and only when that has been done, fall back upon taxes. It should be added that while Drs. Südekum, Lindemann, and Schwander, who are among the foremost authorities on practical questions of local government in Germany, are responsible for the bulk of the articles, their work has been admirably supplemented by a number of collaborators, each a specialist upon the subject or subjects entrusted to his care. All these laborious workers have brought to their task excellent judgment, a nice discrimination, and the proper scientific spirit so necessary to a book of the kind.

WILLIAM HARBUTT DAWSON

Psychology and Industrial Efficiency. By HUGO MÜNSTERBERG. (London: Constable. 1913. Pp. viii. + 321. Price 6*s*. net.)

PROFESSOR MÜNSTERBERG'S earlier work in the border regions where psychology comes into touch with political philosophy, the work of the law-courts, pedagogy, and the healing art, have shown his capacity for broad, effective, stimulating generalisation. Such recent publications as Miss Goldmark's *Fatigue and Efficiency*, Mr. Taylor's *Scientific Management*, and Dr. W. D. Scott's *Psychology of Advertising* have brought home forcibly to many

students the close relations between many economic problems and the rapidly developing work of experimental psychology, and the possibility of the centre of gravity in economic research shifting in the future further from the mathematical in the direction of psychological methods, now that psychology is outgrowing its earlier metaphysical tendencies. An attempt at a comprehensive survey of the present and future points of interaction between psychology and economics by a notable exponent of the former should therefore have a high value for economists. Few psychologists now treat of "mind" as a sort of metaphysical entity round which to group abstract laws of universal validity. The laboratory has been steadily displacing the conception of a "normal mind" as a subject for imposing generalisations, and is substituting the more fruitful plan of research into the varieties of human characteristics. "As long as experimental psychology remained essentially a science of the mental laws common to all human beings" (writes Professor Münsterberg) "an adjustment to the practical demands of daily life could hardly come in question." . . . "In practical life we never have to do with what is common to all human beings, even when we are to influence large masses; we have to deal with personalities whose mental life is characterised by particular traits of nationality, or race, or vocation, or sex, or age, or special interests, or other features by which they differ from the average mind which the theoretical psychologist may construct as a type."

The outline of possible future developments of the new borderline study suggested by Professor Münsterberg is as follows:—"We ask how we can find the men whose mental qualities make them best fitted for the work which they have to do; secondly, under what psychological conditions we can secure the greatest and most satisfactory output of work from every man; and finally, how we can produce most completely the influences on human minds which are desired in the interest of business." The volume is accordingly divided into—Part I., The Best Possible Man; Part II., The Best Possible Work; Part III., The Best Possible Effect.

The title of Part I. suggests the same sort of difficulties as confront the eugenist, and for the immediate future, at least, there is the same necessary moderation of hope and aim—the elimination of those who are provedly unfit for any type of economic activity, rather than the selection of the ideally fit. As the eugenist leaves the main sphere of choice as regards marriage and procreation to individual fancy and initiative, so the

economic psychologist must leave candidates for employment to follow in the main their personal impulses. Yet selection of careers would undoubtedly be aided by a knowledge of the wide extent of individual differences with regard to "individual psychological rhythm, attention and emotion, memory and will energy, disposition to fatigue and restoration, imagination, suggestibility and initiative," and also the "plasticity of the psychological apparatus as an independent inborn trait." "It is often surprising to see how the most manifest differences of psychical organisation remain unnoticed by the individuals themselves"; and even when such self-knowledge is achieved, knowledge of "the inner labour, the inner values, and the inner difficulties and frictions" of any vocation are too often unknown to beginners at it. The psychotechnical problem is "to analyse definite economic tasks with reference to the mental qualities which are necessary or desirable for them, and we have to find methods by which these mental qualities can be tested." Only a few small beginnings have been made. But Professor Münsterberg seems to be endowed with a genius for constructing experiments of a type that win the confidence of business leaders by their convincing utility, and are valuable to the theoretical student for their high suggestive value.

As regards Part II.—"the best possible work"—perhaps the most interesting chapter is that dealing with the problem of monotony. The writer's conclusions are a useful corrective of much loose popular psychology. After extensive investigations, Prof. Münsterberg has become "more and more convinced that the feeling of monotony depends much less upon the particular kind of work than upon the special disposition of the individual." . . . "There are evidently persons who, after they have received an impression, are unable immediately to seize the same impression again. Their attention and their whole inner attitude fails. But there are evidently other persons, for whom, on the contrary, the experience of an impression is a kind of inner preparation for arousing the same or a similar impression." There are also some suggestive remarks on problems which have never been touched experimentally:—the effects on different types of workers of climatic conditions (especially important in seasonal trades) and of morning, afternoon, and night work (different organisms being especially fitted for each); the effects of loss of sleep, temporary insufficient nourishment, and the use of alcohol—the last-mentioned being especially dwelt on to illustrate the complexity of a superficially simple problem. In this, as in many other in-

stances, the writer is more concerned with pointing out what, though not yet investigated, might profitably be investigated, than with the exposition of established results.

L. ALSTON

The Dangers of Democracy: Studies in the Economic Questions of the Day. By the late THOMAS MACKAY. Edited, with an Introduction, by Sir Arthur Clay, Bart. (London: John Murray. 1913. Pp. 328.)

THIS book consists of articles which the author from time to time contributed to *The Quarterly Review* between the years 1894 and 1909. It would have been improved if the editor had stated at the head of each chapter the date at which the article appeared, for it is not always easy to discover this from the text. Again, where books are reviewed, it would surely have been better to mention them at the head of the chapter. This would have avoided the perplexity which naturally arises on finding in Chapter VII. references to "authors mentioned above," when no authors have been mentioned above.

The late Mr. Mackay was probably best known by his *History of the Poor Law*; and as an uncompromising opponent of anything which could possibly be suspected of even the slightest taint of Socialism. We believe he even had leanings towards a post office conducted by private enterprise. The first three chapters of the book are on Trade Unionism, and Chapters IV. and V. deal with Wages and Savings, and the Minimum Wage. Chapter VI., on Democratic Finance, apparently written about 1896, is of more interest to historians than to economists. To the author's great alarm, imperial expenditure had then just reached £100,000,000 a year, but the revolt against democratic finance had, he believed, "come at last" (p. 185). Chapter VII., which was written about the same time, is entitled Orthodox Economics. It contains some now well-known criticisms of Ricardo, Mill, Jevons, and other economists, but is mainly occupied in insisting that greater attention should be paid to the writings of Whately, H. D. MacLeod, and Sir Louis Mallet. Chapter VIII. contains a vigorous denunciation of Municipal Trading, and Chapter IX. a not very illuminating criticism of the Reports of the Poor Law Commission of 1909.

These later chapters call for no special comment, but it may be remarked in passing that Mr. Mackay does not always appear to have been very well acquainted with the views of those he criticised. It is, *e.g.*, incorrect to speak of Henry George's

"crusade in favour of the nationalisation of land" (p. 248), nor is it true that "the only Socialist system which has been worked out in detail is that of Marx" (p. 276).

The first five chapters are the most interesting in the book from the point of view of the economist. They seem to us to display a misplaced optimism with regard to the ease with which industrial problems can be solved, combined with an undue pessimism as to the effect of methods which are being suggested by those who do not accept Mr. Mackay's individualistic creed, and of measures which are being taken by the working classes themselves. "Can this proletariate acquire the security and contentment which now belong to the property-owner, by any method other than that which has been followed by the property-owner himself?" (p. 13), is the question raised by Mr. Mackay, which he, of course, answers in the negative. But how did the property-owner acquire this security and contentment, is an obvious rejoinder which will naturally occur to many. The author seems to think that the tendency is always for wages to rise, and for the price of commodities to fall. Thus if the workers are only industrious and thrifty, there is nothing to prevent them becoming capitalists; or, rather, only one thing is necessary—free exchange. The labourer must have absolute freedom to dispose of his labour where he pleases, and for whatever wages he likes to accept, and all impediments in the way of his moving easily from trades where wages are low to those where wages are high must be removed. Trade Unions Mr. Mackay regards not merely as a form of tyranny, but as a dangerous obstacle to the free exchange of labour. Many pages are filled with illustrations of the practice and demands of Trade Unions at the time of the Engineers' strike in 1897, taken from the reports of the A.S.E. and from letters of employers to the Employers' Federation. With regard to all the cases quoted, we cannot help feeling that we should like to know more about the other side; why these demands were made, for instance. Many more pages contain graphic descriptions of the sufferings of blacklegs, which the author attributes to the tyranny of Trade Unions. It never seems to have occurred to him to inquire whether it is Trade Unions that are at fault, or whether the blame does not rest with the industrial conditions which make necessary Trade Unions and strikes, with all the sufferings they entail.

Mr. Mackay does not seem to us quite to have realised the importance of the standard rate from the Trade Union point of view. He admits that the admission of non-Union labour to a trade would

probably have the effect of reducing wages; but this, he apparently thinks, would only be temporary and would not much matter, for wages would again be raised by the action of demand and supply. He regards labour as much more mobile than it really is, and does not seem to see that even a temporary fall in wages may involve great hardship. He severely criticises Mr. and Mrs. Sidney Webb's views with regard to parasitic trades, but he does not seem to be at all clear as to the meaning of the term. A parasitic trade is not one in which wages are low because the worker has other resources, as Mr. Mackay seems to think, but one in which the worker has to be maintained from other sources because his wages are low.

We do not mean to imply that these chapters contain no good criticism of Trade Unions; on the contrary, the author lays his finger on several very weak spots, to the existence of which Trade Unionists themselves are fully alive. The disastrous effect of disputes about demarcation is a case in point.

In Chapter V. Mr. Mackay comes to the conclusion that the minimum wage is both impracticable and unnecessary. It is unnecessary because free exchange, unhampered by Trade Unionism, would bring about better results, and most of the usual arguments concerning the impracticability of fixing wages by law are well and clearly stated. Some of the arguments used, however, are based on assumptions which are by no means universally true; *e.g.*, it does not follow that the establishment of a minimum wage always means increased cost of production (p. 162), nor is it "perfectly certain that increased cost of production will diminish demand" (*ibid*). It is no doubt true, as the author points out, that the minimum wage might mean that the inefficient would be deprived of their employment. But he fails to see that to allow them to work for sweated wages without a minimum is to bring down numbers of the efficient to their own level.

"Has the nation really grown sceptical as to the beneficent and organising power of Liberty?" (p. 205) asks Mr. Mackay. We agree with him in thinking that it has not. But it has, we believe, grown more than sceptical as the beneficent and organising power of the kind of *laissez faire* which he advocates.

H. SANDERSON FURNISS

Materials for the Study of Elementary Economics. Edited by L. C. MARSHALL, C. W. WRIGHT, and J. A. FIELD. (Chicago University Press, and, in U.K., Cambridge University Press. 1913. Pp. xvii. +927. Price 12*s*. net.)

LET us cease to prate of forty-storey sky-scrapers and billion-dollar trusts. Such indications that America is the country of big things are unconvincing trifles beside this volume. On this side of the Atlantic teachers are content to dictate to their classes a few references, or at most to hand round a reproduction of a typewritten list. In Chicago they print the passages in full on a thousand pages. It is magnificent, but I doubt whether it is education. The young should be made to use their mental as well as their physical teeth. How much better that the student should bite an example of change of market value for himself off the newspaper of the day than that a stale one should be cut out, mashed up, and administered with a spoon by three excellent Chicago professors! Is a proper sense of the relativity of economic doctrine likely to be promoted by snippets from Adam Smith, Bastiat, Irving Fisher, the Minnesota Tax Commission, and scores of other incongruous authorities printed together all in the same very undistinguished type, and with nothing to separate them except a single "white line"? In a perfect world students would be provided with nothing but original editions in original binding. We cannot rise to that ideal, especially in America, but it is better to see a modern edition than only a snippet. And if we must have snippets, we might at least have them all carefully and conspicuously dated. The rule of the book is to put the date in a footnote, but it is often altogether ignored. It would have been much better to put the source and date of each extract at the head of it, and also to have made some use of the page headlines.

While I doubt the desirability of putting the work in the hands of students, I think that it may be very useful to teachers, and that its utility to British teachers will be none the less because most of the facts dealt with are American and many of the sources not easily accessible out of America. Who on this side would have been likely to make use of the excellent passage on the localisation of industry which the editors (pp. 189–97) have culled from the U.S. Census of 1900? And that substantial work is far more accessible than the numerous reports of governmental commissions and other agencies from which useful extracts are made.

EDWIN CANNAN

NOTES AND MEMORANDA

CANADIAN CURRENCY.

THE Gold Exchange system of currency bids fair to become an accepted tenet of the Higher Criticism in Economics. Here in Canada we have come near to the system already, and a Canadian is tempted to compare East and West, in the light of Mr. Keynes' recent book on *Indian Currency and Finance* for the East, and for the West in the light of a report lately issued by the Finance Department of the Dominion Government on the "Public Accounts for the fiscal year ended March 31st, 1913."

Gold is the monarch of metals; "they crowned him long ago" in England, and Canada is one of his loyal subjects. Canada has not been unhappy in her currency. Borrowing her coinage mainly from the United States and her banking mainly from Scotland, she has had no iron law of 1844 and for two centuries no greenbacks. Her history and her commercial relations are reflected in her recognition of gold sovereigns, gold eagles, and gold "beavers" as equally legal tender, as if gold were the essence, wherever coined. The equivalence of gold bars has not been recognised in legislation, at the date of writing. Only a very small part of the Government Reserve is in bars.

Nominally, then, we do not possess the Gold Exchange System; we do not have it in its ideal or Ricardian form. In theory ours is a Gold Standard with a Gold Currency.

But in practice it is the Gold Standard without the Gold Currency, "the only proper currency in the world" (Sir Edward Clouston, Indian Currency Committee, 1898, answ. 6778). The currency used every day by ordinary folk consists of silver and bronze tokens, from one cent to fifty cents, Dominion notes, and the notes of the twenty-four chartered banks. From the table given on page xx. of the "Accounts" we can deduce that each Canadian in 1912 needed \$2·29 of Canadian silver coin, 14½ cents of bronze, and \$3·14 in the small Dominion notes of from 25 cents to

four dollars in amount. This comparison alone shows a preference for paper, whatever allowance be made for the absence of a silver dollar to prefer. But, besides, there were wanted by each Canadian from $10 to $12 in the notes of the chartered banks. Canada is unlike British India; her education in the use of cheques as well as notes is fairly complete already; and there is no province where notes do not circulate and cheques are not used. The chief current money of the Canadian is paper-money. He has his irreducible minimum of metal tokens. As Canada becomes more crowded, the need of economy may be more felt and the use of bronze coins may become larger than it is. At present it is significantly small, and no country presents a greater contrast with British India, where the native looks closely at very small expenses and needs very small fractional coins by which to measure them.

The circulation of the bank-notes is given in the *Dominion Gazette* month by month, as the law directs. For the transactions of banks with banks there are large notes issued by the Dominion Government; and for the transactions of Government with the banks and for little else within the country there is need of gold coins. The Dominion notes, including the small ones to $4, of which the Dominion Government has a monopoly, are really gold certificates, in whole or in large part. If in theory (see Mr. Keynes, p. 37) silver tokens are so, too, against the Government, yet in practice no silver tokens in Canada play any part like that of the rupee in India; and the claims of silver may be neglected. No part of the Government reserve is kept in silver. At the back of a circulation of Dominion notes, small and great, amounting on March 31st, 1913, to $112,101,885, there was a reserve of $98,507,112, in gold (Accounts, p. xv.).

We may call it 93 millions, for about 5½ are supposed to be held against the deposits of the Government Savings Banks, though apparently not "ear-marked" for that purpose. It is a sum equal to the whole "national debt" of Canada in the first year of Confederation (Accounts, p. 77); and, if it is dwarfed in amount by the 1,290 millions of the United States Treasury, it is a great sum for a population of hardly eight millions.

This large reserve is practically the only gold reserve in the country against anything in the nature of a panic. The amount of "current gold and subsidiary coin" held by the twenty-four chartered banks, according to their monthly returns, for example, on July 31st, 1913 (see *Gazette* of August 30th), was a good round sum, over 42 millions; but it may be called

an actuarial reserve, an insurance against ordinary risks, the probable calls of a normal banking business. It is not a reserve against notes. In this country, a bank's notes are limited not by the gold it holds so much as by its paid-up capital; and its legal obligation in the matter of a reserve (so long as the issues are within the paid-up capital) is not to make it a certain proportion of anything else, but, whatever its size, to hold 40 per cent. of it in Dominion notes. The bank notes, the notes of the whole group of chartered banks, are guaranteed by a "circulation fund," to which the whole group contribute, as well as by priority of ranking as against other claims. The reserve is against ordinary liabilities other than notes; and it is not too large, 42 against 1,275 millions, especially as it is not in any case all gold. Sir E. B. Walker, in 1911, put the average amount held by banks in "specie and legal tenders" at 10 per cent. of the liabilities (address to Institute of Bankers, London, June 12th, 1911). Mr. Hartley Withers says that six leading English banks in 1908 held 18 per cent.; and, as he counts this high, perhaps he, too, would have been content with 10 (*Meaning of Money*, second edition, p. 264). A very different picture is presented when we look at the Government's reserve against Dominion notes.

Mr. Keynes (p. 156 of his *Indian Currency*) thinks it "extravagant to maintain a reserve adequate for all conceivable emergencies." He might quote Mr. Wicksteed's ingenious paradox: "The fact that a thing happens does not prove that it would have been wise to provide against it" (*Common Sense of Political Economy*, p. 120). Neither author would care to reduce a currency reserve to the proportions of an actuarial banking reserve. Allowance must be made for possible panics, and the question is, What panics and what allowance?

In Canada a panic throwing doubt on Dominion notes is not conceivable. A panic throwing doubt on the notes of all the twenty-four chartered banks at once is hardly conceivable, though just conceivable. A panic throwing doubt on the notes of one particular bank is not only conceivable, but has occurred. It might reasonably be asked if a gold reserve of 98 (or even 93) millions is absolutely necessary when the utmost drain upon it by the strongest bank in the *Gazette's* list would be about 21 millions? This is a little above the highest holding of Dominion notes by any one bank in any one month of 1913.

The confidence of the Canadian people in their bank-notes exceeds that of the Scotch in their own. Sir Edward Clouston

said (in effect) to the Committee on Indian Currency, 1898, (answ. 6787), that any hoarding there might be in Canada would be of bank-notes. Mr. Keynes remarks that in India the note circulation is less in the busy season, for the cultivators want silver in payment of their harvest (p. 53). On the contrary, when the Canadian farmers want good money for their grain, it is notes they have in mind; and the constant cry in summer is for more notes, whether Dominion notes or bank notes. This eager demand has carried the issues of the banks in the last half-dozen years to the full extent of the paid-up capital, beyond Sir Edward Clouston's expectations in 1898. The limit was not only reached, but by permission over-passed. The new Bank Act of 1913 enables it to be over-passed more regularly, on the orthodox plan of gold against notes. The Act permits the banks to establish a Central Gold Reserve of their own. Against this, they issue "dollar for dollar," according to their several deposits in it. Such issues may increase their prestige by showing they can dispense with the help of the Dominion Government. Otherwise it seems an unprofitable transaction.

The deposits in this new Reserve were in October, 1913, over 7 millions, in November over 8, in December 7½, and in January, 1914, at the winding up of the harvest, no more than 3½, with only eight banks contributing.

Perhaps there is no country so seldom using gold coins in daily life and business that makes so much of gold coin as the invisible basis of currency. The result is a feeling of security not likely to be disturbed; but the price paid for it is an accumulation of barren metal beyond any conceivable need for the metal, except what would arise in a panic fear of the dissolution of civilised society, "the frame of things disjoint."

Mr. Keynes would probably advise a lightening of the burden by a resort to the money market (p. 156), in this case of New York and London. The Dominion Government might, like the banks, include short loans in their provision against liabilities in normal times; it might have liberty to lend from its reserves in abnormal times. But public opinion desires a Government to be even more cautious than a good bank, and would probably be against the adoption of the merely actuarial principle, or even an approach to it, in the matter of currency. The Canadian system seems likely to remain what it is, a form of the gold exchange system with one feature exaggerated.

It might be brought nearer to the ideal form by the more

extensive substitution of bars for coin in the reserve. There could not be a replacement of the whole of the coin. Respect must be shown to the convenience of men of business dealing with New York, who will always from time to time have need of American eagles, legal tender in both countries, ready coined and at hand. Then there is the bankers' convenience. "We keep American gold against our foreign balances; the gold is really no use to us till it passes out of the country, giving us credit balances in other countries to draw against" (Clouston, *loc. cit.*). In the latter case bars would do as well. But, largely because they are legal tender in both countries, and the new Canadian pieces and sovereigns are legal tender in only one, the eagles and double-eagles have been heaped up in the reserve in greater proportions than their rivals. Out of 98 millions, 93 are in gold pieces of the United States. The bars are not quite a quarter of a million; but for most purposes of foreign trade, bars with their fixed value in dollars would serve as well as coin. The process of striking would be saved; the labour of verification would be lessened, as well as the wear-and-tear involved in it. In Canada, as in India, "gold is brought to the Mint not to satisfy a demand for new gold currency, but because the owners of the gold wish to sell it" (Mr. Keynes, pp. 85, 86); and once they get its price, the sellers have no desire to see their article again. It is true that the tendency, so far as it goes, for the "over-production" of gold to increase prices will not be affected by the substitution of notes or certificates for gold coins, or by the manufacture of bars in place of coins. Nor would this last be at all incompatible with the "managed currency" that Sir Robert Giffen deplored and Prof. Irving Fisher desires. We should have our hands free to "manage" the currency or not, as we chose. It would but bring us an inch or two closer to the ideal gold exchange standard, and would save Government from making large quantities of unsaleable goods in the form of coins.

The Finance Department of the Dominion, on March 31st, 1913, had in circulation notes to the value of $112,101,885. Against this the law required a reserve in gold of

(1) Twenty-five per cent. of $30,000,000, viz.	$7,500,000
(2) Dollar for dollar in the case of the notes exceeding 30,000, viz.	$82,101,885
Besides	
(3) Ten per cent. of the amount of Savings Banks' deposits, viz.	$5,714,048
Total	$95,315,933

The actual holding was :—

British sovereigns	$4,264,744
Canadian gold pieces ($10 and $5)	$0,810,970
United States gold pieces ($20, $10, and $5)...	$93,208,464
Bullion (gold bars from Ottawa Mint)	$0,222,933
	$98,507,112

(*Public Accounts*, p. xv.)

The Daily Statement of the U.S. Treasury for January 2nd, 1914, furnished by the courtesy of the Director of the Mint, shows that on that date the Treasury held gold in its gold reserve and currency trust funds, in addition to $23,852,488 gold coin held in the "General Fund" against ordinary Treasury liabilities, to the amount of $1,266,985,969, against currency liabilities of $1,116,985,969 in gold certificates, $2,555,000 in Treasury notes, and $346,681,016 in United States notes, total, $1,466,221,985. The silver certificates ($489,570,000) have their own silver reserve. They have no parallel in Canada.

Ottawa,
January, 1914.

J. B.

A Letter from Japan—Japanese Finance, 1910-1913.

(1) General Remarks.

As I mentioned in my last letter,[1] an unusually low rate of interest and a succession of debenture issues were the most striking features of 1910. During the first half of 1911 also debenture issues continued to appear; and owing to the redemption of a vast amount of exchequer bonds at the end of May and to a large interest payment of national loans at the end of June, the money market kept up the long-continued ease to the middle of that year. On account of a large importation of merchandise in anticipation of the new tariff, the excess of imports over exports was strikingly increased, and by the end of July the excess was more than one hundred and twenty million yen. A low rate of interest encouraged fresh enterprises, and the importation of machinery and raw materials increased yet further, while the good crop of rice expected the autumn following greatly stimulated the purchasing power of the farmers. The prospects of the business world were, therefore, very promising. With the progress, however, of the troubles in Morocco, the money markets of Europe became very firm, while the disturbances in

[1] See Economic Journal, December, 1910, in continuation of previous letters.

Central China which occurred in October suddenly showed the gravest features. Our export trade, especially to China, which had been expanding with great rapidity in the previous months, suffered all at once a great interruption, the exports to Central and Southern China being almost at a standstill.

With the retirement of the Manchu Dynasty in February, 1912, the disturbances in China were checked, and the export trade to that country began to revive gradually. The establishment of the Franco-Japanese Bank foreshadowed increased facility for the importation of foreign capital. The stock exchange market became more and more active. New enterprises were planned. The import trade flourished exceedingly, and the excess of imports over exports reached one hundred and twenty million yen in the first half of the year. Though the death of his Majesty the Meidji Tenno at the end of July was a cause of the deepest grief to all subjects of the Empire, the influence of it upon business was insignificant. At the end of August, there occurred a default of commercial bills by respectable firms at Nagoya, and the bankruptcies of leading houses in Tokyo and Osaka caused an uneasiness in some quarters, while in Europe the outbreak of the Balkan War caused anxiety to the money market. With the rise of the discount rate in London and other European money markets, the Bank of Japan's discount rate was raised in October and in November. Though the opposition of the Saionji Cabinet to financial expansion for the coming fiscal year, and the political crisis of the autumn, which was caused by the question of the two army divisions expansion, gave great uneasiness to business circles, the general tendency of business enterprise toward the close of 1912 was very active. Prices and wages rose in a striking manner. The foreign trade reached an unprecedented amount both for exports and for imports.

(2) THE MONEY MARKET.

As mentioned above, the money market of 1910 and the first half of 1911 was unprecedentedly easy. The Bank of Japan, which lowered its discount rate from 5·11 per cent. to 4·75 per cent. in March, 1910, maintained the same rate right up to September, 1911. Market rate was also very low during the same period. The average of the discount rates at Tokyo, which was 8·95 per cent. in January, 1909, 6·11 per cent. in January, 1910, and 5·87 per cent. in June, 1910, was 5·6 per cent. in January, 1911, which rate continued up to August of the same year. But in that month the rate touched bottom. In September, 1911,

the Bank of Japan's discount rate was raised from 4·75 per cent. to 5·48 per cent., and was continued at this rate up to the end of that year. The average market rate, which was almost invariably at 5·6 per cent. during the first three quarters of 1911, was in October 6·25 per cent. and in December 6·86 per cent.

The rise of the rate in the last quarter of 1911 was partly due to the extraordinary decline in 1910 and the first half of 1911, due chiefly to the abundant redemption of national loans in 1910 and in the previous year, and partly to the uneasiness of the European money markets and the disturbances in China. In February 1912, the Bank of Japan's rate was raised from 5·48 per cent. to 5·84 per cent., in October to 6·21 per cent., and in November to 6·57 per cent., which rate continued up to the end of the year. The market rate, which was already 6·86 per cent. in December, 1911, was maintained at 7 per cent. during the first half of 1912. In the second half of the same year the rise of the market rate was very rapid and steady: in October 1912, 7·5 per cent., in November 8·13 per cent., and in December 8·58 per cent. If it had not been for the payment in cash of the purchase price of the Tokyo railway, the rise of the rate of interest might have been seen early in the first half of 1912, and the total rise might have been more remarkable.

From the beginning of the year 1911 the amount of funds for new business enterprises and for extension showed a substantial increase. According to the calculation of the Bank of Japan, the figure for the whole year, which was in 1908 yen 135,232,120; in 1909 yen 128,257,535; in 1910 yen 487,000,650; and in 1911 yen 361,139,500, went up to yen 521,108,600 in 1912. The rapid and steady rise of the rate of interest in the second half of 1912 was, indeed, due to the general tendency towards business extension throughout the country as well as to the dearth of money caused by the extraordinary excess of imports over exports of general merchandise and the strict precautions taken by bankers against the fraudulent commercial bills.

(3) Budget.

Revenue.

	1911–1912. Yen.	1912–1913. Yen.	1913–1914. Yen.
Ordinary	492,138,000	502,555,805	529,755,649
Extraordinary	59,894,539	70,336,061	57,051,939
Total	552,032,539	572,891,866	586,807,588

Expenditure.

	1911–1912. Yen.	1912–1913. Yen.	1913–1914. Yen.
Ordinary	406,869,127	411,965,864	422,018,356
Extraordinary	144,838,548	160,926,002	165,789,232
Total	551,707,675	572,891,866	587,807,588

The increase of expenditure in the fiscal year 1912–1913, amounting to about twenty millions of yen, was principally due to the progress of the public enterprises and to the gradual increase of their annual allotments. Among those enterprises the most important are schools, the telephone, river, and harbour works, as well as the completion of the military and naval refittings. To meet these increases of expenditure no special measure was found necessary, about one half of the balance being met by the surplus of the previous fiscal year, and the other half by the increase of the stamp duty as well as of the revenues of post, telephone, and telegraph services.

The Saionji Cabinet kept to exactly the same plan for the redemption of national loan bonds as the Katsura Cabinet, and the sum devoted to the debt service from the general account amounted to yen 142,254,905. Out of the total sum yen 50,000,000 was to be used to redeem the principals of the national loans, both in foreign and home markets.

Owing to the political disturbances at the end of 1912 and at the beginning of 1913, the budget for the present fiscal year, 1913–1914, could not be fully considered in time by the Cabinet and by Parliament, and consequently that of the fiscal year 1912–1913 was taken up as a temporary budget. On the first of July, 1913, however, the actual budget was published together with proposals for administrative retrenchment. Details in connection with this will be given at the end of this letter.

(4) Foreign Trade.

	Exports. Yen.	*Imports.* Yen.		*Exports.* Yen.	*Imports.* Yen.
1892	91,102,753	71,326,079	1909	413,112,511	394,198,843
1902	258,303,064	271,731,258	1910	458,426,694	464,233,808
1906	423,754,892	418,784,108	1911	447,433,883	513,805,705
1908	378,245,673	436,257,462	1912	526,981,842	618,992,277

The foreign trade of Japan made great progress after each of the great wars against China and Russia. In 1911 the usual excess of imports in the first half of the year was further enlarged by the large imports in anticipation of the new tariff, which came into force in August of that year. In the rest of that year, however,

the excess of exports was very remarkable. But for the disturbances in China, the balance of trade might have been met entirely.

Among other things, the increased export of coal was the most remarkable fact. This was due to large exports to the Philippines and the Straits Settlements owing to the British coal strike. The exports of silk decreased a little owing to bad markets abroad. And a large decrease was seen in the export of cotton yarns due to the disturbances in China.

In the import trade a large decrease was seen in the importation of cotton goods, partly due to large importations in the previous year, and partly to the rise of price of American cotton. With this and a few other exceptions, almost all other important imports greatly increased. The importation of machinery, locomotives, rails, &c., increased owing to anticipations of the new tariff. And owing to the bad crop of the previous autumn and the extraordinarily high price of rice, the importation of foreign rice and fertilisers of every kind was greatly increased. Thus, as shown in the above table, the foreign trade was unprecedently unfavourable in 1911.

In 1912 foreign trade showed a great increase. In the export trade most important articles saw great increase. The increase of the exportation was: in silk, yen 21,450,000; in braid, yen 10,940,000; in cotton tissue, yen 5,920,000; in copper, yen 4,920,000; in coal, yen 2,330,000, &c., the total increase of the exports amounting to yen 79,547,954, or 18 per cent.

In the import trade, except that there was a slight decrease in calico, woollen cloth, indigo, &c., a great increase was seen in almost all important articles. The most remarkable figures were yen 54,040,000 in cotton, yen 14,090,000 in iron of various kinds, yen 12,430,000 in rice, yen 6,890,000 in sugar, yen 5,070,000 in wool, yen 3,000,000 in machinery, &c.; the increase of imports amounting to yen 105,186,572, or 25 per cent.

(5) Prices and Wages.

Index Number of Commodities.

	Food, etc.	Clothing.	Materials.	Average.
1900	100	100	100	100
[1]1904	123	109	95	108
[1]1905	130	120	100	116
1906	124	122	101	114
1907	131	129	110	122
1908	132	120	113	122
1909	125	119	107	118
1910	121	124	110	120
1911	127	133	114	126
1912	154	130	119	133

[1] Years of the Russo-Japanese War.

The tendency towards a gradual rise of prices in Japan was interrupted greatly in the latter half of 1909 and in the first half of the following year, principally owing to an extraordinarily good crop of rice in 1909. But in the latter half of 1910 and in 1911 a steady rise of prices was resumed.

In 1912 the brisk export trade, coupled with fresh business enterprises and the extension of industries, largely stimulated the tendency of prices to rise.

Wages.[1]

	1900.	1907.	1908.	1909.	1910.	1911.	1912.
	Yen.	Yen.	Yen.	Yen.	Yen.	Yen.	Yen.
Farm labourer	0·30	0·36	0·36	0·38	0·39	0·42	0·44
Tailor	0·59	9·74	0·77	0·79	0·81	0·85	0·90
Shoemaker	0·47	0·58	0·63	0·66	0·67	0·65	0·69
Confectioner	0·30	0·36	0·39	0·40	0·43	0·45	0·44
Carpenter	0·54	0·75	0·81	0·80	0·80	0·83	0·87
Plasterer	0·54	0·76	0·85	0·82	0·83	0·86	0·89
Tile roofer	0·59	0·87	0·97	0·94	0·95	1·00	1·03
Printer	0·34	0·44	0·47	0·49	0·50	0·50	0·50
Blacksmith	0·48	0·65	0·68	0·67	0·69	0·70	0·71
Cartwright	0·47	0·63	0·67	0·65	0·68	0·69	0·73

[1] For the figures from 1901 to 1906 see the ECONOMIC JOURNAL, December, 1910, p. 645.

Wages, which declined in 1909 with the general fall of prices in that year, began to rise once more in the year following. And in 1912, owing to the rise of prices and to increased enterprise, wages rose also.

(6) PRINCIPAL FINANCIAL EVENTS IN 1911 AND 1912.

A. *The municipalisation of the Tokyo railway and the flotation of the municipal loans.*—The municipalisation of the Tokyo street railway had been a long-cherished desire of the citizens of the capital, and its realisation had often been attempted. In June, 1911, however, an agreement was arrived at between the municipality and the Tokyo Railway Company, and on July 5th the purchase was formally completed, the management of the railway being transferred to the hands of the municipality on the 31st of the same month.

Among the effects of the purchase of so large an enterprise the most striking was that on the money market. The purchase price, amounting to yen 64,165,518, was to be paid in cash in the course of one year after the date of purchase. The Industrial Bank of Japan was trusted with the whole business of raising the money thus wanted in foreign markets. In March, 1912, the bank succeeded in raising the stated amount in London, Paris, and New York. The entire price was paid in cash on March 28th

to the shareholders of the company, which was consequently dissolved. Such a large sum of money could not be disbursed without a great effect upon the money market, which had been rather strained since the autumn of the previous year.

B. *Alteration of the Anglo-Japanese Alliance.*—With the progress of the conference on the general arbitration treaty between England and the United States of America, an alteration of the Anglo-Japanese Alliance had generally been long expected. On July 13th, 1911, the new treaty was signed in London. The term of validity of the alliance was prolonged by five years up to 1921. The most important point of the alteration was that, in case either party enters into a general arbitration treaty with any third country, it is not to be compelled to go to war with that country. As England was at that time about to enter into a general arbitration treaty with the United States, while Japan had then no idea of contracting a general arbitration treaty with any country, it was deemed in some quarters rather one-sided; yet general public opinion has always been faithful to an alliance so necessary for the peace of the Far East and consequently of the whole world.

C. *The Change of Ministry in August,* 1911.—After four years of office the Katsura Cabinet retired in August, 1911, and Marquis Saionji, President of the "Seiyu-kwai," succeeded to the Premiership, some of the leaders of this party being included in the Ministry. The cause of the Ministerial change was very simple. The "Seiyu-kwai," who had obtained nearly an absolute majority in the House of Commons and who had supported the Katsura Cabinet for many years, desired to form a Ministry, possibly of their own members. And the general public, being rather disappointed with the adjustment of finance by the Katsura Cabinet, welcomed the Ministerial change simply in the expectation that it might freshen the political atmosphere. Prince Katsura and his colleagues yielded to the popular wish, and a very peaceful political change took place. Marquis Saionji declared that his Ministry would make special endeavours in the reform of the finance and the administration.

D. *Disturbances in China.*—Though the actual fighting during the revolution in China was comparatively trivial and confined in locality, economic and financial circles suffered a great deal, because the disturbances took place in the most important commercial centres, viz., the Yang-tse districts. The import and export trades came almost to a standstill, mainly on account of the entire suspension of commercial institutions. The Japanese

exports to China, which were yen 7,408,124 in December, 1910, fell to yen 4,984,158 in December, 1911, and the total exports to China during the whole year, which had been annually increasing in the previous years and which were yen 90,037,354 in 1910, decreased to yen 88,152,792 in 1911.

Whatever may be the prospect of the Republic which was established early in 1912, its influence on economic and financial circles are no doubt exceedingly striking. The revolution has greatly stimulated the inclination of the people towards everything new, and the consumption of foreign goods increased in a striking manner. The exports to China in December, 1912, for instance, were yen 12,122,284. Comparing this with that for the corresponding period of the previous year, yen 4,984,158, the increase is very remarkable. The total of the exports to China during the year, which were in the previous year yen 88,152,792, increased to yen 114,823,727.

E. *Establishment of the Franco-Japanese Bank.*—The attempt to establish a financial institution of a Franco-Japanese nature had been very often made. In 1912 a plan of establishing such a bank made considerable progress between the Société Générale, the Banque de Paris, and the Industrial Bank of Japan. The president of the Industrial Bank of Japan proceeded to Paris in May for the execution of the project. On July 3rd 1912, the Franco-Japanese Bank was established in Paris as a French corporation. The capital was yen 10,000,000 (frs. 25,000,000), yen 4,000,000 of which was raised from the leading banks in Tokyo, the rest being divided among almost all the leading French banks, as well as English, American, and Russian capitalists.

Besides general banking business, the newly established bank has many special functions, and a branch was opened in Tokyo. Beginning with the flotation of the debentures of the Oriental Colonisation Company, the business at the head office in Paris and at the Tokyo branch will prove a success.

F. *Death of his Majesty the Meidji Tenno.*—His late Majesty the Emperor Meidji was healthy throughout the forty-five years of his reign. Therefore, when his illness was made public on July 20th, 1912, the surprise of the people was almost indescribable, and the love and loyalty of all his subjects were warmly expressed in every manner. But notwithstanding the heartiest prayers of all over the whole country, his Majesty passed away on July 30th.

Throughout the forty-five years of his reign, during which

Japan made so great a progress in every direction, his Majesty was indeed the central power. His virtues and talents as a sovereign made Japan what she is. And his greatness was by no means limited to his glorious success in political and military affairs, but lay also in his able ministrations for the amelioration of his subjects. Especially his endeavour in education was beyond description, and his famous Imperial Rescript on Education will be handed down to posterity. His efforts in encouraging industrial and commercial developments, too, are worthy of praise. His loss is greatly to be lamented, and the country will feel it for years to come. But the foundation laid by him is so firmly established, that there is no need to entertain fears about the future of Japan. To limit our sphere to finance, except that a slight depression was caused in the stock exchange market for a short time, general business did not suffer by so great a national misfortune either to a great extent or for any long time.

G. *Change of Ministry in December*, 1912.—Shortly after the formation of the Saionji Cabinet, a bureau for the reform of finance and administration was established under the direct control of the Premier, in order to lessen the heavy burden of taxes. And in framing the budget for 1913-1914, all the departments, except the military department, agreed to diminutions in the expenses by from 15 per cent. to 9 per cent. But the military department obstinately insisted upon the two army divisions expansion scheme, and refused to use the sum, saved by reform of military affairs, for other objects than new expansion. As the result of this disagreement, the Minister for the Army resigned on December 12th, 1912. Being unable to find a successor to the portfolio, the Saionji Cabinet resigned on the 5th of that month. Many days were spent in vain in finding a candidate for the Premiership, and the third Katsura Cabinet was at last formed on the 21st in obedience to an Imperial order. Thus, to the great regret of the general public, the plan of the Saionji Cabinet for the general reform of finance and administration could not be realised. The Katsura Cabinet decided, because of the want of time for framing a new budget, that the budget for 1912-1913 should be generally taken up as that for 1913-14; but that during the course of the fiscal year the Government would endeavour to economise a sum of about fifty million yen in the execution of the budget, and in this way to carry out a considerable economy for the next fiscal year. But the popular disapprobation against the circumstances which caused the political change and the formation of the new Cabinet became

louder. On February 11th, 1913, the Katsura Cabinet resigned, and the present Cabinet was formed on the 20th of the month, with Count Yamamoto as its Premier, and based on the support of the "Seiyu-kwai" party.

H. *New Foreign Railway Loans.*—In the last four fiscal years since 1909 the total of the construction and improvement expenses of the railways, which were raised in the form of short term railway bills and other treasury bills, and which were borrowed from the Deposit Bureau, amounted in aggregate to about yen 100,000,000. Of this sum the short term bills, yen 65,000,000 in total, were all due either on March 14th or on April 14th, 1913. The necessity for raising loans of comparatively long date was felt. After a close investigation, however, the Government found the home market unprepared for the purpose, and hence it resorted to foreign markets.

On March 15th a loan of £3,000,000 was raised in London, part in the form of discount bills, and part in the form of notes. The bills were discounted at 5½ per cent., and the notes bore 5 per cent. interest, the issue price being £99. With the sum thus raised part of the short term railway bills due on March 14th were redeemed, and the balance of those short term bills were converted into new bills due on either June 13th or 30th. The rest of the proceeds of the new London loans was used for the redemption of the borrowed funds from the Deposit Bureau.

On April 24th, again, a loan of frs. 200,000,000, equivalent to about yen 77,400,000, was issued in Paris. The interest was 5 per cent., the term ten years, and the price of issue frs. 98. With this sum yen 20,000,000 of the short term railway bills and the treasury bills due on June 13th, and yen 25,000,000 of the short term railway bills due on June 30th were redeemed. And with the rest of the proceeds the borrowed funds from the Deposit Bureau were redeemed.

I. *Administrative Retrenchment.*—The burden of taxes, which was suddenly increased by the war of 1904 and 1905, gradually increased, contrary to the general expectation, year by year. The necessity for financial and administrative retrenchments was urgently felt. During the Saionji Cabinet a committee for inquiring into this question was established, with Marquis Saionji, the Premier, at its head. The Katsura Cabinet also made public its intention for administrative retrenchment. Under the Yamamoto Cabinet, at last, a retrenchment on a considerable scale was officially announced on June 13, 1913.

According to this announcement, the increase of the revenues

or the decrease of the expenditures, compared with those of the Budget for the present fiscal year (1913–1914), already explained above, stand as follows :—

1. The General Account—total, yen 38,472,867.

(*a*) Decrease of ordinary expenditure, yen 12,654,263.

(*b*) Decrease of extraordinary expenditure, yen 17,829,704.

(*c*) Decrease of the extraordinary military expenses, yen 563,318.

(*d*) Increase of the revenues :—(1) In the ordinary account, yen 500,000. (2) In the extraordinary account, yen 6,925,582.

2. The Special account—total, yen 31,900,566.

(*a*) Increase of the revenues of the general account : by the transfer of the sugar tax of Taiwan, the increase of the profit of the monopoly bureau, &c., yen 6,050,386.

(*b*) Decrease of the expenditures of the general account : by the decrease of the supplementary expenses of the governments of Chosen, Kwanto, and Kabafuto, yen 3,377,800.

(*c*) Increase of the special account : by the increase of the profit of the Imperial railway, &c., yen 1,782,026.

(*d*) Postponement of continuous expenditures depending on bonds and loans : by the postponement of the construction and improvement of the railways, and the constructing works of the governments of Chosen and Taiwan, yen 20,690,354.

The grand total of the retrenchment amounts, thus, to yen 70,373,433. Of this, however, yen 27,286,247, depending on bonds or loans or other resources, cannot be calculated as a resource of the general account. Therefore the balance, yen 43,000,000, is the total amount which can be regarded as the surplus obtainable on the actual budget for the fiscal year 1913–1914.

Again, however, as this sum includes some resources restricted to the present fiscal year, the sum which can be regarded as the permanent or annual resources for the future which is obtained by the retrenchment cannot, according to the view of the Government, be more than yen 22,500,000.

When this retrenchment was fixed in June, 1913, about a quarter of the fiscal year had already elapsed, and the amount actually obtainable in the fiscal year is naturally much smaller than the figures above mentioned. According to the calculation of the Government, it thus stands :—

(*a*) General account, yen 35,188,774.
(*b*) Special account, yen 30,954,656.
Total, yen 66,143,430.

Deducting the amount depending on the bonds, loans, and other resources, which cannot contribute any resources to the general account, the balance, yen 39,060,000, can be regarded as the surplus obtained by means of the retrenchment.

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AN EXPERIMENT IN DECASUALISATION: THE LIVERPOOL DOCKS SCHEME.

A LITTLE voyage of discovery into the backwaters of the activity of Government Departments would often repay the social reformer, and even the politician. The waters of life are sometimes stirred to more purpose and for greater good there than they are in the great political stream by all the noise and splash of Government Bills and Budgets and Armaments. In such a backwater—the great Docks at Liverpool—the Board of Trade for the last eighteen months has been grappling with one of the most important and difficult of social problems, unemployment and decasualisation. The Liverpool Docks Scheme has not received any of the doubtful advertisement of party controversy. It came almost silently into being in July, 1912,[1] but the progress of this very interesting experiment can now be ascertained from an admirable paper[2] dealing with the first year's working, by Mr. Williams, the Divisional Officer for the North Western Division of Labour Exchanges and Unemployment Insurance.

Dock labour all the world over has a bad name; in the popular estimation "the scum of the earth" drifts down from trade to trade and from occupation to occupation to form at last the dregs of our industrial system, the loaders and unloaders of ships. There is a certain amount of truth in this estimate. The unemployed and the unemployable, the loafer and the casual, are all attracted by "a system of employment in which rapid and irregular fluctuations of work at different centres are met by the engagement for short periods of irregular hands." The Liverpool Docks have no better, perhaps rather a worse, reputation than the average. It was known that we had there, in their crudest form, the economic and social evils of casual labour and irregular employment, but

[1] Mr. Williams' original proposals were reviewed by Mr. R. H. Tawney in the ECONOMIC JOURNAL for June, 1912, p. 263.

[2] Paper on "The First Year's Working of the Liverpool Docks Scheme," by R. Williams, B.A., Oxon. Read before the Liverpool Economic and Statis Society on Friday, 28th November, 1913,

before the present scheme came into operation no data existed for arriving at either the extent of the evil or the exact method of dealing with it.

The scheme is worked by the Board of Trade and a Joint Committee of employers and employed. The first task has been to register every docker working in the Liverpool Docks, and no person unregistered can be employed under the scheme in the Docks. The object of this is, as Mr. Williams points out, to decasualise by closing the entry to the trade, rather than by "the squeezing-out process." The two other most important features of the scheme are at present the arrangements connected with the clearance of wages and the attempt to render the labour force more mobile. It is impossible here to give any idea of the extremely elaborate system by which the Board of Trade pays weekly wages amounting to from £16,000 to £26,000 for the sixty-five employers who are parties to the scheme. It is sufficient to say that this part of the system is of material benefit to the men—a very important point, because it is absolutely necessary to start by making any scheme of decasualisation acceptable to the men. A man who has worked for more than one firm during the week now draws his whole weekly earnings from the Board of Trade pay-hut, whereas previously he would have had to spend possibly a whole morning walking from one part of the docks to another in order to collect what was due to him from the several firms.

The effect of the mobility of labour upon unemployment cannot be exaggerated. The Liverpool Docks stretch over many miles of ground. The system of giving and seeking employment was as follows. All along the docks the different employers, shipping companies, &c., have their separate "stands," at which men seeking work apply. Now, it very often happens that owing to shortage of work at one stand there is an excess of men applying there, while at the same moment in another quarter of the docks an employer will find a shortage of labour at his stand. Prior to the scheme, there was no means by which either employer or employed could learn the state of the labour market in other parts of the docks. The Board of Trade has now placed "surplus stands" in each area into which the docks are divided up. Any docker failing to obtain employment at a private stand, falls back upon the surplus stand. The surplus stands are all connected up by telephone, so that the employer finding a shortage of labour and the employed finding a shortage of work can immediately be brought into communication. This arrangement should within the docks ensure perfect fluidity of labour, and, when I visited the scheme

about a year ago, high hopes were entertained of it. It is an instructive lesson in human nature to find that, though the surplus stand has effected much, its utility has been impaired by all the old Adams that have for generations grown up in, and still haunt, the Liverpool docker and his employer. "Employers would frequently ring up for men and then, in the interval between giving the order and the arrival of the men at the ship's berth, they would pick up men at the dock gates or elsewhere. Consequently, when the men arrived they were not required." "Men sent from surplus stands frequently failed to turn up, and in a number of cases, when they did turn up, refused to work." Lastly, an idea seems to exist in the docker that he is bound by a sense of honour only to work in one area, and that by going to work in another area he is in some way "black-legging."

The Liverpool Docks Scheme is an experiment, and that fact is clearly realised in Mr. Williams' paper. "When the Joint Committee made their recommendations, it was never for one moment considered that the last words had been said as regards casual labour." It is, however, an experiment which has justified its present and its future existence in two ways. It has provided for the first time data for ascertaining the extent of the evil, and clear indications of how general methods of dealing with that evil, already worked out by writers like Mr. Beveridge, can be applied to this particular case. The figures in Mr. Williams' statistical tables are of extraordinary interest; never before has the student of unemployment been able to come to such close quarters with the details which lie at the roots of casual labour in one large area of employment. The information obtained in the course of the attempt at decasualisation in the London docks, which began in 1891, does not compare in value with that now collected in Liverpool.

By the end of March, 1913, the Board of Trade had issued about 31,000 tallies of registration; that is to say, that there were in Liverpool about 30,000 men who are accustomed at some time in the year to seek employment at the docks. The maximum demand for men, even in the busiest period, never exceeds 23,000; the minimum demand in the slackest period is between 15,000 and 16,000. During the past year, of the 31,000 tally-holders

2,138 did not work at all,
2,764 worked in less than each of 10 weeks,
2,485 worked in each of from 11 to 13 weeks,
4,836 worked in each of from 14 to 26 weeks,

5,228 worked in each of from 27 to 39 weeks,
14,020 worked in each of from 40 to 52 weeks.

The system by which a tally-holder seeking work at the docks in any week has to deposit his insurance card with the Board of Trade also admits of accurate information as to the number of dockers available in any given week, and the figures show that the number available was always in excess of the demand. But though the number available was always in excess of the demand, there are still shortages of labour occasionally. "There was ample labour for the employers, had the men been prepared to work more or less continuously"; but—and it is the biggest "but" in the problem of casual labour—the men are not prepared to work "more or less continuously."

Here we have the bare bones of the problem; it is not difficult to fill in the flesh and blood. It is a problem of a fluctuating demand for labour. The fluctuation is two-fold: first, a small permanent fluctuation; and second, a large seasonal fluctuation. The employers' system of providing for these fluctuations has been to pay a high hourly wage with no permanence of employment. The result is that for a demand for labour fluctuating between 16,000 and 23,000 there is a fluctuating supply with a maximum of 30,000. But this system, even from the employers' point of view, defeats itself. The wages paid are sufficient to maintain adequately a labour force of, say, 20,000 men; but they are inadequate when spread over a labour force of 30,000 men. Mr. Williams' figures show that even in the busiest time of the year 27 per cent. of the total wage-earners receive 15*s*. or less per week, and he gives reason for believing that "there is a regular class of men whose subsistence wage is about 15*s*. a week, and who never want to earn more than this sum," and that the existence of this class of men accounts for the occasional shortages of labour. But it is just this class of men that every system of casual employment infallibly breeds, for even the man who is willing to work regularly and earn a decent weekly wage never knows when he may not be turned away from the employer's stand and see the 15*s*.-a-week man taken on in his stead.

Mr. Williams' states his own solution of the problem in two words—Permanent Labour; and no one who has any experience of casual labour will be prepared to disagree with him. The great achievement of the Liverpool Docks Scheme is that after one year's working it has shown that that solution is not at the moment, but in the future, practicable. There is the machinery

there for gaining the necessary information, and, if only all parties concerned will have sufficient patience, there are elements in that machinery from which a practical system of decasualisation might be evolved. Mr. Williams rightly warns us against hasty action, but there is one reform that he considers might immediately be adopted and which in the future might have notable results. To put all lads employed in dock work on a regular wage "would certainly not affect the prospects of the present generation of dockers, and it would build up a fresh labour supply from youths who, from their earliest years at the docks, had been habituated to regular work."

One of the most formidable difficulties in introducing permanent employment on a regular wage for men will undoubtedly be the attitude of the men themselves. They "have been used to casual work for generations past, and like it." They like the high hourly wage and the *possibility* of earning in a few days sufficient to support them for a week or more; they know that the fluctuations of demand for labour have attracted a large "reserve of labour," and each one fears that, if regular employment be introduced, he may be one of those squeezed out into the reserve. What he does not see is that this "casualisation of labour" is only gathering up more and more men, like a huge snowball, to compete against one another, and, no matter how high the hourly wage may be, to reduce the yearly wage of all to a bare subsistence wage.

The first step, then, is to habituate the men to regular employment. Mr. Williams warns us that this can never be done, if the doors are opened to fresh registration whenever there is a temporary shortage of labour. The time has, perhaps, not yet come when it would be safe to enforce a minimum of regular labour from each tally-holder by withdrawing tallies unless that minimum was performed; but there is no doubt that in the distant future some such rule would form part of a matured scheme. A more immediate line of reform may be given best in Mr. Williams' own words: "Why should not our statistics give us a basis for estimating (in the course of time) the number of men to whom employers should offer permanent employment at a generous weekly wage *plus* extras for overtime, &c.?" As a matter of fact, the statistics already collected make it certain that if the scheme be continued this will become possible. The figures given above show that there is a steady demand for well over 14,000 men, and also that there are at least 14,000 men who are willing to work regularly. Here, then, is the nucleus from which a scheme of

permanent employment might start. The further difficulty is one which invariably confronts the student of casual labour—the question of the reserve necessary to meet the small daily fluctuations and the large seasonal fluctuation of demand. Mr. Williams suggests methods of meeting this difficulty: he proposes that the employers should maintain on a minimum wage of 15*s.* a week a small floating reserve, the numbers to be based on the records of the average fluctuation over a series of years. As regards the seasonal fluctuation, the increased demand for labour in the docks occurs during the winter months, at which time work in the building trades, farm labouring, &c., becomes slack. It is suggested that a seasonal tally might be issued and a sufficient number of men recruited through the Labour Exchanges from those trades to meet the seasonal pressure at the docks.

L. S. WOOLF

THE LAND QUESTION.

The Land. Report of the Land Enquiry Committee. Vol. I., Rural. (Hodder and Stoughton. 1*s.*)

The Land Retort. A Study of the Land Question and a reply to the Land Report of the Secret Inquiry Committee. By CHARLES ADEANE and EDWIN SAVILL. (John Murray. 2*s.* 6*d.*)

A Unionist Agricultural Policy by a Group of Unionists. (John Murray. Price 6*d.*)

THE Report of the Liberal Land Inquiry Committee is a document which no politician or economist can afford to leave unread. From the point of view of comprehensiveness it challenges comparison with the reports of most Royal Commissions, while in lucidity of exposition it leaves them far behind. An immense number of points, with their appropriate illustrations, have been marshalled in so masterly a manner that the ordinary newspaper reader would have no difficulty in following the argument. Nevertheless, from the student's point of view its value is undoubtedly impaired by the fact that the constitution of the Committee, the method of investigation, and the form of the Report itself lay the whole inquiry open to the charge of partisanship. The fact that the members of the Committee were drawn from one political party would not in itself have been of importance in this connection, but for the fact that the investigation was carried out by private inquiry, that the names of informants were not given, and that select quotations from the evidence were printed. Previous Commissions have found that if they relied

on public sittings, they only got evidence from the "big" people, and in several official investigations the open hearings have for this reason been supplemented by private inquiry. The Committee consider, perhaps rightly, that by the method adopted they have obtained a much truer picture of the real conditions of rural life than would have been possible by any other method. But having had their questionnaire privately circulated and filled in, it is unfortunate that they could not have seen their way to publish the whole evidence so obtained, rather than selections. In an inquiry of this kind it is so easy to weight the scales one way or the other; but the whole facts would have aided the reader in making any necessary corrective.

It is for this reason that we have coupled the Report with *The Land Retort*—a book which, as its name implies, contains a critical running commentary from beginning to end. The work of Messrs. Adeane and Savill does not, of course, compare in importance with the labours of the Committee, and it is at times unnecessarily biassed in the opposite direction, protesting overmuch that things are all right as they are. But it is full of acute observation, and is evidently based on a wide knowledge of agriculture, its practice, its history, and its law.

The five sections of the Report deal with:—

(1) The agricultural labourer, wages, housing conditions, and suggestions for a minimum wage.

(2) The labourer's means of access to the land, and the small holdings movement.

(3) Methods of land cultivation, and the influence of the present land tenure system on production, together with a discussion of suggestions for land purchase, and the Committee's own recommendation of a Land Court.

(4) Rural rating.

(5) General questions, such as co-operation in buying and selling, credit facilities, transport, and rural education.

Preliminary chapters are supplied (1) by the chairman of the Committee (the Right Hon. A. H. Dyke Acland) on the general problem in its twofold aspect as a human and as a business question, and (2) by Dr. Gilbert Slater on the historical evolution of the agricultural problem. There is also a dissentient report in favour of land nationalisation by Baron de Forest.

Part I., dealing with the now familiar problem of the agricultural labourer, rehearses the facts as to the lowness of wages and length of hours, indicates the connection of these conditions with the housing problem, points to the urban migration as a factor

depressing wages in the towns; and as "it is not to be expected that (*a*) the growth of small holdings, or (*b*) increased agricultural prosperity, or (*c*) Trade Unionism will lead within a reasonable time to a rise in the wages of labourers, sufficient to enable them to live in a state of physical efficiency, and also pay a commercial rent for their cottages," it is concluded that steps should be taken for establishing a legal minimum wage sufficient to cover these needs. If the increased efficiency is not forthcoming, the farmer is to be allowed to apply to a Land Court for the reduction of his rent. It is impossible to discuss at all adequately the many difficult questions that this thesis raises, but one or two points call for comment.

In the first place, the census of 1911, the occupation volumes of which came out shortly after the Committee's Report, shows for the first time in recent history an increase in the number of agricultural labourers, so that it would seem that from the employment point of view agriculture has turned the corner, and is beginning to retain on the land a part of the natural increase in the rural population. This significant fact, which is very probably a symptom of a slight shifting of the equilibrium in the relative value of manufacturing and agricultural services in the world generally, coincides with a rise in the prices of agricultural products and advances in agricultural wages, obtained in some cases with and in some cases without the help of Trade Unions. It is thus clear that the time is ripe for an improvement in the position of the agricultural labourer, though the significance of recent events seems lost on the Committee. Mr. Adeane and Mr. Savill can see the signs of the times, but consider them a reason for letting well alone.

Again, the Committee, like the Unionist reformers whose pamphlet is noticed below, take it for granted that a decline in the rural population is matter for unmitigated regret. The reasons for this assumption, which are social rather than economic, lie concealed in one of the introductory chapters, where the superior healthiness of the countryside and similar considerations are urged as reasons for the reform of agricultural conditions. It has apparently never occurred to the Committee that this very fundamental point may be seriously challenged. A community in which everyone is engaged in agriculture can never be a very wealthy one, or travel very far along the line of progress in the arts of civilisation; taking the world as a whole, material progress may be held to vary in inverse proportion to the number of persons engaged in agriculture. Moreover, it is possible for a large proportion of the

population to live in the country without being engaged in agricultural pursuits.

This question of the number engaged in various farming occupations has, of course, a very close connection with local variations in wages. If a rent map of England were drawn on the same principle as the wages map which prefaces Mr. Wilson Fox's investigation of rural wages, it would be seen that the high wage counties are also in general the high rent counties, while further investigation would also show that these are the counties where the labour employed per acre has been reduced to the lowest point. It is, in fact, where the movement from the land has been most pronounced, that wages have risen most nearly in proportion to the rise of the standard of living in urban employment. The trouble in the low wage counties has been that rural depopulation has not proceeded nearly fast enough during the last half century.

The Committee lay great stress in this part of the report on the relation between low wages and inefficiency. The high paid labourer of the north is "worth" more to his employer than the low paid labourer of the south, and it is argued that if the latter's wages are raised, he will pull his weight through increasing efficiency. There is, no doubt, a very important relation between wages and efficiency, but the argument only holds if farmers in the low wage counties economise in labour to the same extent as in the high wage counties, and apply fewer "doses" of labour to their land than before. In the absence of some radical change in the method or type of farming, additional labour could be confidently expected to yield a diminishing return. It has, however, to be remembered by way of qualification that it is in the counties of England where wages are highest that the men are most largely supplemented by the employment of women at comparatively low wages, so that the difference in average labour cost is not so great as would appear from the statistics of men's wages.

Thus, other things being equal, the raising of low agricultural wages seems to involve a decline in the amount of employment, unless accompanied by improved means of production, or unless a continued rise in the price of agricultural produce makes it profitable to cultivate more widely and more intensively. This argument, of course, does not apply to cases where advantage is taken of the ignorance of wage earners to pay less than the true market price for the district, to the gain of rent or profit. Nor would it hold in cases where labour was so underpaid that there was a prompt response in increased efficiency. In both these sets of circumstances the fixing of a higher wage would have no

harmful reaction on the amount of employment. The net result of a given advance is bound, therefore, to be a matter of conjecture which can only be proved by experiment.

The Committee realise this element of uncertainty, and put forward some not very convincing general reasons why the amount of employment is unlikely to be diminished. But their chief reliance is on the scheme for taking the money required out of rent. They declare that "It should be laid down as an essential feature in any legislation dealing with the minimum wage that a farmer who is able to prove that the rise in wages has put upon him an increased burden should have the right to apply to some judicial body for a readjustment of his rent." It is argued that this would not be a severe burden on landlords, since the net rent of agricultural land in England and Wales is £24,500,000, while the total earnings of men between 20 and 65 is only £19,000,000, and the argument is further supported by a detailed table showing the effect on rent of raising wages to the minimum on a large number of specific farms. But the calculation contains far too many unknown quantities to command very much confidence, and is largely vitiated by the fact that the calculation refers to gross rent. The wage charge would, of course, show much higher percentages on "net" rent. The total figure given above is also far too high in the case of rent, if it is really intended to exclude the value of landlords' capital, as the footnote suggests. Other calculations show that net economic rent bears a low proportion to the total wages bill in the country as a whole, and a very low one in the lowest wage counties. Nor is it clear that the taxing of rent would work with the smoothness that the Committee suggest, for the scheme would naturally induce the landlord to let his farm to the farmer who could show that he would cultivate the land with less, though perhaps with more highly paid labour, and could thus afford a higher rent. But this difficulty is to be obviated, according to the Land Committee, by giving the farmer security of tenure. It is thus suggested that the tenant-farmer would be, as it were, a tax-collector, deducting from his landlord on the one hand, and paying over to his labourers in increased wages on the other. But there seems no reason why the farmer should do this; if at the higher level of wages he can make things pay by economising labour, he will for the sake of his own pocket reduce the number of his employees, and take for himself some of the economic rent. The only alternative is that the Land Court should say not only how much rent he must pay, but also how many men he must continue to employ.

Such considerations do not destroy the case for the minimum wage altogether. There are, no doubt, instances where the burden placed on rent would stick there, and perhaps even readjust an old-standing disproportion. But the chief hope for the scheme is the tendency towards agricultural improvement which has already set in. If these expectations materialise, minimum wage legislation may come just in time to give the labourer his share in the prosperity, and if the system is worked gradually, and with an eye to local requirements, it may possibly do a great deal of good. It is unlikely to do much harm. One further consideration, moreover, makes it desirable that the scales should be weighted on the labourer's side; and that is that there is almost certain to be a continued surplus of population to be drafted townwards, owing to the rapid increase of population in country districts, and while this may be a national advantage, it tends to become a drag on the rise of agricultural wages. True, the farmers always complain that they cannot get enough good men; but that is because they want them at the old wages. The whole problem is a matter of price.

It is unnecessary to deal with the Committee's conclusions on housing at any length, and we will only point out in passing that the Committee do not recommend anything in the nature of a national subsidy, such as has been given to Ireland. They look rather to the beneficial effects of an increase in wages. Nevertheless, they propose that "it should be a definite statutory duty of every Rural District Council to provide a cottage for every person permanently employed in a rural district for whom a cottage is not otherwise provided." But at what price? If they charge only what he can afford to pay, the Council may find itself subsidising labour for the benefit of farmers. It is, in fact, the vicious circle once again. In this connection, Mr. Adeane and Mr. Savill make out a case for the suggestion that the Post Office, the railways, local municipalities, etc., should be responsible for housing their own employees instead of leaving them to compete for the agricultural labourer's cottage.

In Part II. the chief subject dealt with is that of small holdings, the extension of which is declared to be desirable, "not merely because they offer greater independence and a reasonable chance of rising to the labourer, but also because (*a*) large farms are often under-cultivated; (*b*) small holdings have proved successful as regards their output; (*c*) a larger number of people are employed per acre where land is cut up into small holdings." There are thus two distinct arguments for the small holdings movement.

The first is the need of a ladder, or rather a bridge, between the social classes in rural England. This need is particularly pressing in view of the change which has already taken place in social relations generally in urban districts, and is bound sooner or later to permeate the countryside.

But the Committee realise that they must establish their case on economic grounds; for "if they (small holdings) owed their existence to benevolence alone, they would, in the long run, be unable to survive." The economic argument is, however, by no means clear, and much of the evidence put forward under headings (*a*) and (*c*) above is little more than hearsay, and is far too vague to carry weight with an impartial jury.

Thus a somewhat sweeping and ill-defined charge of under-cultivation is brought forward. It is, of course, easy to cite cases to prove an allegation such as this, for in no industry is every producer up to the level of the best standard of the trade. But there is no ground for supposing that the badly cultivated farms preponderate, or even that an unreasonably large proportion fall below the current standard—which is the only meaning that can be given to the vague term "under-cultivation." It, of course, needed no demonstration that more per acre would be obtained from a more intensive system of smaller farms employing more labour; but the crux of the question is whether the latter is a more desirable way of dealing with the land than the present method. And the leading economic consideration bearing on the point is not whether more men would be employed or more produce raised per acre, but whether the increased return would be in proportion to the additional efforts put forth—a question which would involve an estimate of the quantity and intensity of the work put into his farm by the smallholder. With this economic puzzle the Committee never come to grips, and are content to point to the fact—a very significant one—that small holdings, in so far as they have been established, have been successful, and that practically no failures have been reported to the Board of Agriculture. But it has been proved time and again that there is no general economic advantage in small scale farming, and indeed in perhaps the majority of branches of agriculture the control of capital, and various other accompanying advantages of large scale production, turn the scale in favour of the large man. It is only in specific directions where these economies are outweighed by the advantage of personal care and close application, that the small farmer is economically a success. The drawing of a dividing line between the spheres appropriate to the two methods of cultiva-

tion and the exploration of their respective possibilities in various parts of the country would have been the most valuable contribution that the Committee could have made to the solution of the land question.

In the section on land tenure a good deal is said about the Agricultural Holdings Act. According to the Report, about two-thirds of the witnesses said that the present system did not give a farmer adequate security of tenure, and in consequence that improvements that might be made are not made; the other third said that there was no difficulty of this kind. It is very difficult to judge from such facts whether this represents the general feeling of farmers in the country as a whole, and the resolutions passed at Chambers of Agriculture, farmers' clubs, etc., would seem to indicate that the preponderance of opinion is by no means as represented. Moreover, the decline of the leasing system in favour of yearly tenancies in most parts of the country is some proof that the farmer is not afraid of his landlord. It is, however, clear that the farmer feels his insecurity in cases where land is sold over his head, and the large number of land sales in recent years has made this question of some importance. Apparently there is some obscurity in the Act of 1908 on this point, and certainly farmers are not acquainted with their full rights in the matter. Many farmers would meet the difficulty by a policy of State-aided purchase, but the Committee's case against this policy is a strong one. In the first place, agricultural land is commonly under-rented in this country, but for various historical and social reasons its capital value is very high. It is doubtful whether farmers would desire to exchange low rents, with the possibility of remittance in bad years, for a possibility of buying their land on terms which would involve a high fixed mortgage premium, without the possibility of remission. The policy has also become a less attractive one than it used to be, owing to the rise in the general rate of interest. Irish experience shows that owing to this rise the premium for land purchase chargeable to the tenant has had to be raised by successive stages. The English landlord is, in fact, in the position that he receives to-day considerably less than the normal rate of interest on the capital value of his land, and until capital value falls to a reasonable level in relation to existing rents, land purchase will not pay the farmer. The Committee therefore recommend the establishment of a Land Court with power to fix a fair rent, to assess compensation for improvements when tenants leave their farms, and to secure for him reasonable security of tenure. The diffi-

culties of this policy are connected with the composition of the court, which, if it is to succeed, should secure the confidence of both farmers and landlords, with the absence of a margin in most cases for the reduction of rent, and with the fact that it will gradually eliminate altogether the function of the landlord. Our present system is only justified from the economic point of view if the landlord contributes something to agriculture, either by way of capital investment, by careful selection of tenants, or by encouragement of sound methods of cultivation. But the establishment of tenant right would tend to make him a mere rent receiver, and all analogy goes to show that when once he has become a person with no other interest in the land than to receive a fixed annuity out of it, he will rapidly disappear altogether. In spite of the Committee's arguments against State purchase, it seems doubtful whether the Land Court is really a satisfactory or permanent halting-ground between the present system and complete occupying ownership.

The last two sections of the Report, dealing with rating, co-operation, and other improvements in rural districts, traverse familiar ground, and the Committee have nothing very new to add to the discussion. Perhaps their chief practical suggestion is that the State should attempt to imitate the light railway system of Belgium, and they propose that the present Railway Board should be enlarged into a General Transit Board, with power to deal with light railways and with roads.

The Report is in form drafted as though the changes recommended were mainly concerned with the economic development of land, but as a matter of fact social and political considerations are obviously the deciding factors in many cases. This is no doubt inevitable, for some of the most unprejudiced of observers have come to the conclusion that the force of custom has, as a matter of fact, hampered and limited agricultural development in Great Britain. Prejudice has stood in the way of small holdings, for example, in a large number of cases, and so long as prejudice remains it is impossible to argue that small holdings are uneconomic because they have not held their own. The chief need of British agriculture is that these non-economic considerations should no longer be allowed to prevent the fair and equal competition of various systems of production. This country will probably always be predominantly one of large farms, but the inability to secure access to the land by those who are able and willing to make a profit out of it is a source of far greater moral damage than any material damage due to the fact that it is not now used to the best advantage.

The pamphlet, issued by a "Group of Unionists," does not call for very extended notice, but it is interesting for the very narrow margin which separates its conclusions from those of the Liberal Land Committee. The authors boldly adopt the policy of the minimum wage, claiming quite truly that their party has never been so much afraid of State interference with economic conditions as their opponents. The chief point of interest in this connection is the claim that such legislation can easily be adapted to the exigencies of piecework, which they hope to encourage and extend. On the question of small holdings they wisely refrain from committing themselves unreservedly on the side of ownership as against tenancy, though they would give facilities for purchase. They are, however, clear that small holdings will only be successful if run on the colony system. The problems of housing, elementary and adult education, co-operation, transport, and local taxation are touched upon, while as regards fiscal arrangements they are "perfectly prepared to accept any decision of the Unionist party which gives to agriculture real security in the future."

But the interesting point of the memorandum is that in the statement of the case for reform the arguments put in the forefront are non-economic in character, viz., those relating to national physique and wheat supply in time of war. The economic argument is, however, stated in a form which begs all the difficult questions. After rehearsing the facts as to the declining agricultural population, and comparison made with Denmark, it is pointed out that we could by intensive methods give agricultural employment to more than half a million more men. "It has been calculated that the annual food production per labourer is £129. On this basis the increased labouring population would increase the production of home-grown food by upwards of £80,000,000 per annum. This is a decidedly conservative estimate, as the present average output is based very largely on an extensive system of cultivation, and *as cultivation becomes more and more intensive, the average will be proportionately raised.*" The italics are mine, for this assumption is the crux of the whole matter, which we should all like to see proved. Of course, intensive culture yields more per acre, but does it yield more per head?

W. T. Layton

Local Taxation.

Final Report of the Departmental Committee on Local Taxation, England and Wales. (Cd. 7315.) 1914. Pp. vi+120. Price 1*s*. *Appendix* to the above Report. [Cd. 7316.] 1914. Pp. iv+381. Price 3*s*. 1*d*.

In noticing the earlier publications of this Committee in the Journal of December, 1912, I commented on the propagandist nature of the evidence submitted to it, and suggested that no great contribution to knowledge was likely to result. My expectation has been quite fulfilled, but of course this is no condemnation of the labours of the Committee, which was appointed, like most Departmental Committees, to clear the way immediately in front of the legislature, rather than to suggest in what direction it should ultimately progress. The only far-reaching conclusion at which it has arrived is the negative one that the rating of land values, or exemption of buildings and some other "improvements" from rating, should not be adopted. This conclusion, too, is not really of much importance, inasmuch as it was arrived at by the narrowest possible majority, and thus probably means that not more than one or two of the Committee changed their opinion in the course of their investigation. The most drastic and important proposal of the Committee very properly relates to elementary education. "In the statistics for 1911–12 the rateable value per child ranges from £13 to £106, and the expenditure per child from about 52*s*. to 150*s*., and the variation in the proportion of elementary school children to population is equally remarkable. Moreover, in many cases the effect of these variations is cumulative. The school population is highest in proportion both to rateable value and to total population in the urban centres, particularly in the so-called dormitories of the great towns, where valuable rateable property is for the most part absent, and it is in these districts that, owing to the paucity of voluntary schools, the high cost of living and materials, and other causes, the cost of education is usually greatest. As a result, the education rate in some areas is less than 6*d*., while in others more than 2*s*. is required, in spite of the large additional subsidies received by certain necessitous areas." In order to remedy this state of affairs, which seems to have nothing to recommend it, the Committee propose to sweep away the present muddle of grants to schools, and substitute a grant to each education authority, based on the principle of giving the authority first the difference between the produce of a 7*d*. rate

and 60*s*. per child, and second, two-fifths of such part of the expenditure as is over 60*s*. So, for example, if the cost per child were 80*s*., and a 7*d*. rate produced 21*s*. per child, the State would pay 39*s*. (the difference between the standard 60*s*. and 21*s*.), and in addition 8*s*. (two-fifths of the 20*s*. excess over 60*s*.), while the locality would pay the remaining 33*s*., requiring a total rate of 11*d*. A table is given showing the equalising effect of the plan in thirty places; it appears satisfactory, as far as it goes, but not to be strong enough. The education rate of Tottenham, for example, is only brought down from 28·2*d*. to 25·4*d*., and that of West Ham from 26·6*d*. to 25*d*. The Committee excuse this on the ground that such places are really parts of larger towns and ought to be amalgamated with them, which is true, but even apart from "dormitories," the impression given by the table is disappointing, and suggests that the factors should be altered in such a way as to make them act more powerfully.

It is proposed further that when the necessity for continuing a school with an average attendance of under 200 is proved, a grant of £50, less 5*s*. per child in average attendance, should be made to the education authority, so that if there were 80 children, the grant would be £30. This proposal is put forward rather with the view of easing the situation likely to be caused by the disappearance of the Agricultural Rates Act grant than for reasons connected with education.

In regard to higher education no change is proposed except that a sum equal to the "residue grant," familiarly known as the "whisky money," should be distributed in proportion to net expenditure on higher education, instead of, as now, in proportion to the pre-1888 grants for various purposes, of which "none had any connection with education."

Next to the education grants, the financial arrangements for pauper lunacy are the most indefensible part of the present system. The Committee propose that the State should make a grant for each lunatic in an asylum of one-half the average net cost in the whole of England and Wales, and also 3*s*. a week for each lunatic, imbecile, and epileptic otherwise properly taken care of by poor-law authorities. These authorities are also to have 60 per cent. of the cost to each of them of the salaries, etc., of officers, calculated from the three years before legislation.

The Government contribution for police is to be one-half the net expenditure of each authority, including expenditure on pensions, and this is to apply to the Metropolitan as well as other police. Nothing is said about the present limit on the rating

powers of the Metropolitan Police Commission. The City of London Police are to remain unsubsidised, and uninspected by the Home Office, as at present.

The proposal with regard to roads is that they should be divided by the Road Board into three classes, main, county, and district, and that grants should be given of 50 per cent. of the cost of maintenance of main, and 25 per cent. of the cost of county roads, but inside London and county boroughs the class of county roads would not exist, and the grant for main roads would not be half the actual cost of such roads, but only half the average cost of main roads in all the other urban areas of the adjacent county or counties.

All these proposals, with the exception of that relating to higher education, have the advantage of giving the central Government a financial interest in the expenditure of the local authorities, inasmuch as whenever it stimulates or forces local authorities to pay more, it will have to meet at least part of the bill, instead of being wholly unaffected, as it is under the Goschen scheme of 1888. This praise cannot, however, be given to the next and last of the principal proposals, which is to give a grant of 6*d.* per head of population to urban, and 9*d.* per head to rural districts.

The new grants involve the entire disappearance of the existing remains of the 1888 system of "assigned revenues," with all its complications of "Local Taxation Account" and "Exchequer Contribution Accounts," which have confused national and local administrators for more than a quarter of a century. The Agricultural Rates Act grant and its concomitant grant for clerical tithe-owners are included in the clean sweep. The differential rating established by the Agricultural Rates Act and the Tithe Rent-charge (Rates) Act, under which agricultural land and clerical tithe are assessed at fifty per cent. of their value, is not attacked, nor is the older exemption of 75 per cent. enjoyed by agricultural land in respect of urban general district rates. Even the minority, who present a separate report in favour of land-value rating, propose that land which is used for agriculture and has no higher value than its agricultural value should be exempted from site-value rates to the extent of 75 per cent., though this seems curiously inconsistent with the principle of their scheme, as it would mean quadrupling the charge on the land whenever a house or cottage was built on it, and to that extent, at any rate, "penalising improvement."

The Committee propose to entrust valuation to the staff working under the Finance Act (1909–10), with an appeal to a joint

local assessment committee, and from it to a special expert tribunal.

The immediate extra cost to the national taxpayers of the proposals of the Committee is estimated at about five millions per annum, and this sum would, of course, increase automatically in the future. As it is certain that no increased contribution from the national exchequer ever resulted in an equal diminution of the sum raised by rates, it is probable that a considerable increase of the total charge may be looked for. It is probable, however, that when the central Government has partially to pay the piper, its inspectors, sooner or later, will shed a little of their present sublime disregard of expense, so that the total outlay may in some respects bring in a better return.

The *Appendix* contains the evidence taken on the 29th to 35th days, and a number of memoranda, of which the most interesting is the report, prepared in 1910, of Mr. W. J. Braithwaite and Mr. S. E. Minnis on taxation in Prussia, Hamburg, Strasburg, Berne, and Zurich. This brings out very clearly the fact that the Prussian local taxation of income *is* far from being exclusively taxation of income by the locality of its presumable destination—the residence or residences of its recipient. An amazingly complicated system of apportionment appears to result in the lion's share being taxed by the locality of its origin. It seems quite possible that when the whole laborious process has been gone through the result is not very different from the existing English system under which income-yielding, immovable property is taxed by the locality in which it is found : the Prussian system, of course, includes income from movable and intangible property and from labour, but he would be a rash man who ventured to assert that any class of human beings was either benefited or damaged by the difference. Doubtless some classes of localities are more "favoured," *i.e.*, made more desirable to live, invest, and work in, and others are less favoured than they would be under our system or under the old Prussian system ; but this question is not examined by the reporters.

EDWIN CANNAN

THE DOMINIONS COMMISSION.

Royal Commission on the Natural Resources, Trade, and Legislation of Certain Portions of His Majesty's Dominions. Second Interim Report, 1914. Pp. 68. Cd. 7210. Price 1*s*. *Evidence taken in London in* 1912. Part I., *Migration*: Part II., *Natural Resources, Trade, and Legislation.* 1912. Pp. 293+432. Cd. 6516, 6517. Price 2*s*. 9*d*. and 3*s*. 6*d*. *Evidence taken in New Zealand in* 1913. 1913. Pp. 254. Cd. 7170. Price 2*s*. *Evidence taken in Australia in* 1913. Parts I. and II. 1913. Pp. 362 and 364. Cd. 7171 and 7172. Price 2*s*. 11*d*. and 3*s*. *Evidence taken in London in* 1913. 1914. Pp. 125. Cd. 7173. Price 1*s*. 10*d*.

THIS Commission was appointed to inquire into the natural resources of Canada, Australia, New Zealand, South Africa, and Newfoundland, and "to report upon the development of such resources, whether attained or attainable : upon the facilities which exist or may be created for the production, manufacture, and distribution of all articles of commerce in those parts of Our Empire : upon the requirements of each such part and of Our United Kingdom in the matter of food and raw materials and the available sources of such : upon the trade of each such part of Our Empire with the other parts, with Our United Kingdom, and with the rest of the world" : and generally On the methods by which trade within the Empire might be fostered. After hearing evidence in London from the Agents-General, emigration societies, various Chambers of Commerce and trade associations, and other officials, firms, &c., the Commission went to Australia and New Zealand, where they toured both Dominions and examined 247 witnesses. Returning to London, they examined six more witnesses on migration and post and telegraph communications. So far as it has gone, the inquiry has been very thorough. A word of praise must be given to the manner in which the minutes of evidence have been prepared; for study of the different topics is much facilitated by the arrangement of the evidence under each subject, the evidence of witnesses who spoke on more than one subject being broken up and rearranged under each.

The second interim Report is confined to Australia and New Zealand. Trade with the United Kingdom is steady. About one-half of the imports of Australia is produced in the United Kingdom, over one-tenth in other parts of the Empire, and a little under four-tenths in foreign countries. About three-fifths of

the imports of New Zealand are shipped from (and mainly produced in) the United Kingdom, about 22 per cent. from the rest of the Empire, and about 18½ per cent. from foreign countries. On 51 per cent. of the total imports into Australia and on about 36 per cent. of the total imports into New Zealand a preferential tariff is accorded to British goods. About two-fifths of the exports of Australia and over three-fourths of the exports of New Zealand go to the United Kingdom, and practically all of these are the produce of agriculture, mines, forests, and fisheries. Much evidence was taken as to the natural resources of Australia and New Zealand, but the Commissioners reserve comment till they have visited the other parts of the Empire. They state, however, that they were much impressed with the evidence given as to the suitability of Australia for cotton-growing, and record with satisfaction that the British Cotton-Growing Association is co-operating with the Government in experimental work, in supplying seed and machinery, and in marketing the produce. The real difficulty appears to be the cost of picking, owing to scarcity of labour, but this might be surmounted by concentration of the industry around centres (as in Egypt and the West Indies), so that the small-holders might co-operate; in Texas three-fourths of the labour employed is white. Particulars are given in the evidence as to the land systems of the Dominions, irrigation colonies, artesian water, the grading of produce, mineral resources, &c., but these cannot even be summarised here. It may be noted, however, that the coal resources of New South Wales are estimated at 100,000 million tons within a depth of 4,000 feet and excluding seams less than three feet thick. The Broken Hill Proprietary Co. own the Iron Knob and Monarch mines, or rather hills, of 68 per cent. iron ore, which they are shipping to Newcastle, in New South Wales, to be smelted at their own furnaces; they are confident that they can compete with outsiders on equal terms, without help from a tariff, and make all the steel that is required in Australia. On the other hand, Western Australia appears to be following in the path of California. At present famous for gold, that State will, said the Commissioner of Fruit Industries, "in the very near future be the leading State in fruit production," and the State Agricultural Commissioner hopes that the wheat belt will, "when properly developed, produce at least 50,000,000 bushels of wheat," instead of over 9,500,000 bushels as in 1913. In New Zealand the dairy industry is pressing back other kinds of farming and causing a considerable rise in land values; but Mr. Tregear, ex-Secretary of the Government Labour Depart-

ment, said that "the real fact is that New Zealand will be the great manufacturing country of the Pacific, and that her immense population will have to be fed from the wide plains of Australia. New Zealand has inestimable riches in her water-supply, which here means electrical-energy supply."

For the development of natural resources two things are necessary, a sufficient labour supply and good trade communications, and to these the bulk of the Report is devoted. Taking the latter first, the Commissioners, basing their opinion on an instructive memorandum by Sir J. H. Biles (in Cd. 7173), hold that large steamers have the greater economic value as cargo and passenger carriers, and that size must be increased if speed is to be increased. The use of such ships depends upon the capacity of the harbours, and the Report states that "a first-class harbour should provide a working depth of not less than 40 feet," a condition which is only fulfilled by Sydney, Hobart, Wellington, and Auckland. Most of the other harbours could be deepened, "though considerable time and money will be needed." Sir J. H. Biles thinks that "it is not unreasonable to predict that within twenty or thirty years a depth of harbour of 60 feet could be profitably employed." Alternative mail routes are discussed, and detailed suggestions made for reduction of cable rates.

Australia and New Zealand, with their low and declining birth-rates, must rely upon immigrants for the development of their resources; but native skilled labourers are generally hostile to the State assistance of immigration, even though most employers, in town as well as in the country, complain of the shortage of labour. As the Commissioners recognise, this is due to fear of overstocking the skilled labour market. Mr. Tregear said: "If the bringing in of a larger population would mean that the persons living here would be exposed to greater hardships, or would have to undergo greater economic pressure than at present, it would not be a benefit. . . . Immigration would be a good thing. But it must be very carefully looked after." The Commissioners, therefore, think that State assistance should be confined to immigrants for agriculture and mining. Youths from 16 to 24 are "highly desirable immigrants," especially if they are adaptable. "This requirement of adaptability is," they believe, "most frequently to be found amongst those coming from the towns," and if such town-bred youths were to receive an elementary training in agricultural pursuits at State-aided farms in the United Kingdom (similar to the Hollesley Bay Colony), and subsequently at similar institutions in Australasia, it would be possible to

rescue large numbers of youths who at present go into "blind alley" employments in towns. In Cd. 6516, Mr. T. E. Sedgwick gave particulars of an experiment he conducted in sending out twenty-five London and twenty-five Liverpool boys to New Zealand, and the Secretary of the Labour Department reported (Cd. 7170) that only seven did not turn out satisfactorily, while the others saved over £2,000 in a little over two years. There is also a great shortage of female labour, especially domestic servants; but, as Dr. Snow points out in a memorandum (in Cd. 7173), between the ages of 15 and 35 there is only an excess of 7,000 unmarried females over unmarried males in the United Kingdom, while the bulk of the surplus female population is over 40 years of age, and therefore "not of the sort that can be readily emigrated with general advantage." In his memorandum, Dr. Snow investigates the causal connection between trade and migration, but finds that "the inquiry gives no support to the opinion that activity in migration causes activity in trade." Migration now is "an indication of prosperous conditions," whereas in the early nineteenth century it was caused by poverty. It may be observed that it is unsound to deal separately, as Dr. Snow does, with migration to Canada and to the United States, since the ultimate destination of very many Transatlantic migrants is not known.

A good deal of evidence was taken as to the desirability for greater uniformity of Imperial statistics, but here we can only refer the student to the evidence of Mr. G. H. Knibbs, the Commonwealth Statistician (Cd. 7172), where he urges the calling of a conference of the official statisticians of the Empire to discuss the establishment of a Central Statistical Bureau.

Lastly, it is to be regretted that the Commissioners have not reproduced in these volumes the many mineral and agricultural maps that were laid before them, instead of giving a couple of useless maps showing their own peregrinations.

HENRY W. MACROSTY

Other Official Papers.

Report of the Departmental Committee appointed by the Local Government Board for Ireland to inquire into the Housing Conditions of the Working Classes in the City of Dublin. [Cd. 7273.] 1914. Price 1*s*. 1*d*.

THIS Report discloses the existence of housing conditions in Dublin far worse than are to be found elsewhere in the British Isles. The following extracts from the Report, which deserves careful attention from those interested in this subject, show its general character. There appear to be 20,108 families living in one room in tenement houses, 12,042 of which, namely, those consisting of more than two persons, show an average number of occupants per room of 6·1. "There are many tenement houses with seven or eight rooms that house a family in each room and contain a population of between 40 and 50 souls. We have visited one house that we found to be occupied by 98 persons, another by 74, and a third by 73. The entrance to all tenement houses is by a common door off either a street, lane, or alley, and in most cases the door is never shut, day or night. Generally the only water supply of the house is furnished by a single tap, which is in the yard. . . . Having visited a large number of these houses in all parts of the city, we have no hesitation in saying that it is no uncommon thing to find halls and landings, yards and closets of the houses in a filthy condition, and in nearly every case human excreta is to be found scattered about the yards and on the floors of the closets, and in some cases even in the passage of the house itself."

The badness of the conditions seems to be partly due to the lowness of the rent payable, which the prevailing low level of wages requires. "Summarising the returns for the heads of families living in all classes of houses, we find that of those ascertained, 5,604 earn not more than 15*s*. a week; 9,000 earn over 15*s*. to 20*s*.; 2,585 earn over 20*s*. to 25*s*.; 1,627 earn over 25*s*. to 30*s*.; and 2,384 earn over 30*s*.; and as regards the rents that 13,222 heads of families pay a less rent than 3*s*. a week; 4,628 pay a rent of 3*s*. a week, and 9,108 pay a rent of over 3*s*. a week." But it appears to be due also to considerable laxity on the part of the sanitary authorities in enforcing the provisions of the existing law. Sir Charles Cameron, the Superintendent Medical Officer of Health, is severely criticised by the Committee for having taken on his own shoulders the responsibility of dis-

pensing in certain cases with the bye-laws governing tenement houses. It is also stated that certain members of the Corporation, whose names are given, are interested in tenement property which is unfit for human habitation.

The Committee think that in the course of time a good deal can be done by strict enforcement of the existing law. But they do not believe that a really satisfactory state of affairs can be brought about without the virtual abolition of the tenement system. Some change in the conditions in which new building can be undertaken by private agency may prove useful. But the Committee think that a large part of the work of re-housing the poorest part of the population must be undertaken by the Corporation itself, and is likely to prove a somewhat heavy burden on the rates.

The value of the Report is increased by the inclusion of a large number of photographs, which vividly display the existing state of affairs.

Final Report of the Royal Commission on Indian Finance and Currency. [Cd. 7236.] 1914. Price 9*d*.
Minutes of Evidence. Vol. I. [Cd. 7069.] 1913. Price 2*s*. 10*d*. Vol. II. [Cd 7237.] 1913. Price 1*s*. 4*d*.
Appendices. Vol. I. [Cd. 7070.] 1913. Price 2*s*. 10*d*. Vol. II. [Cd. 7071.] 1913. Price 2*s*. 5*d*. Vol. III. [Cd. 7238.] 1914. Price 1*s*. 2*d*.
Index. [Cd. 7239.] 1914. Price. 9*d*.

ONE aspect of this Report is treated by Professor Nicholson in this issue of the JOURNAL. It will be dealt with from another point of view in a later issue.

Fourth Report of the Royal Commission on the Civil Service. [Cd. 7338.] 1914. Price 1*s*. 4*d*.
First Appendix to the Fourth Report. [Cd. 7339.] 1914. Price 1*s*. 7*d*. *Second Appendix to the Fourth Report.* [Cd. 7340.] 1914. Price 5*s*. 9*d*.

THIS is the Commission's Final Report on the Civil Service proper, the Diplomatic and Consular Services and the Legal Departments being reserved for later consideration. There is a minority report signed by three members. The following headings of the chapters of the majority report will serve to show the nature of the field covered :—

CHAPTER
I.—Historical Sketch of the Civil Service, 1853–1912.
II.—Description of the Methods of Appointment.
III.—The General Civil Service, Administrative and Clerical.
IV.—Situations held direct from the Crown.
V.—The Departmental Civil Service.
VI.—The Professional and Technical Civil Service.
VII.—Temporary or Unestablished Employment.
VIII.—Promotion.
IX.—Organisation.
X.—The Employment of Women.
XI.—The Civil Service in relation to the duties of Citizenship.

The first Appendix contains memoranda including information received respecting Foreign and Colonial Civil Services, and the second Appendix contains Minutes of Evidence subsequent to those already published.

Report on Profit-Sharing and Labour Co-partnership Abroad. [Cd. 7283.] 1914. Price 8½*d.*

IN continuation of the Report on Profit-Sharing and Labour Co-partnership in the United Kingdom, issued in 1912 [Cd. 6496]. To be reviewed.

Agricultural Statistics, 1912, Parts IV. and V. [Cd. 7013 and 7271.] Price 5*d.* and 7½*d.*

THESE Reports deal, amongst other things, with the Meat Supply of the United Kingdom in recent years. The salient features are clearly brought out by the following table:—

Year ending June 4th.	Total Quantities of Meat (000's omitted.)			Percentage.		Per Head of Population.		
	Home.	Imported.	Total.	Home.	Imported.	Home.	Imported.	Total.
	Cwts.	Cwts.	Cwts.	Per cent.	Per cent.	Lbs.	Lbs.	Lbs.
1900–1	29,330	20,936	50,266	58·3	41·7	79·5	56·8	136·3
1901–2	29,847	20,488	50,335	59·3	40·7	80·2	55·0	135·2
1902–3	29,856	18,745	48,601	61·4	38·6	79·5	49·9	129·4
1903–4	29,366	20,595	49,961	58·8	41·2	77·6	54·4	132·0
1904–5	29,849	20,789	50,638	58·9	41·1	78·2	54·4	132·6
1905–6	29,252	21,843	51,095	57·3	42·7	75·9	56·7	132·6
1906–7	29,424	21,365	50,789	57·9	42·1	75·7	55·0	130·7
1907–8	30,033	21,537	51,570	58·2	41·8	76·6	55·0	131·6
1908–9	30,667	20,841	51,508	59·5	40·5	77·6	52·7	130·3
1909–10	30,602	19,514	50,116	61·1	38·9	76·7	48·9	125·6
1910–11	29,693	21,566	51,259	57·9	42·1	73·8	53·6	127·4
1911–12	32,052	21,203	53,255	60·2	39·8	79·0	52·3	131·3

Statistical Abstract for the British Empire in each year from 1898 *to* 1912. [Cd. 7241.] 1914. Price 1*s*. 3*d*.

THIS abstract deals with the area and population of the Empire, trade of the Empire, shipping of the Empire, and the volume of production and consumption of staple articles within the Empire.

Memorandum and Statistical Tables showing the production and consumption of iron ore and pig-iron and the production of steel in the United Kingdom and the principal foreign countries in recent years, and the imports and exports of certain classes of iron and steel manufactures. [H. of C. 284.] 1914. Price 7*d*.

THIS memorandum brings up to date for 1912 the facts and figures of a previous return. It is the most valuable authority on its subject, and concludes with a useful table of sources of information, official and unofficial.

Statistical Tables relating to the Production, Consumption, and Imports and Exports of Coal in the British Empire and the Principal Foreign Countries in recent years. [H. of C. 285.] 1914. Price 5½*d*.

COAL tables for 1912, in continuation of an earlier white paper.

Final Report of the Royal Commission of Inquiry on Industrial Arbitration in the State of New South Wales. (Sydney: Government Printer. 1913.)

THIS is the Report of Mr. A. B. Piddington, K.C., nominated as sole Royal Commissioner, with assessors, to investigate certain questions arising in connection with the working of industrial arbitration as established by law.

It is recommended, amongst other things, that the work of presiding over arbitration tribunals should be entrusted to permanent salaried officers of the State, who should be men of high judicial quality. It is also suggested, in order to obviate the delay which often arises out of the elaborate manner in which the question of the cost of living is gone into in each individual inquiry, that the question of the cost of living and of the minimum wage for adult male labour should be determined periodically, say once a year, by an independent tribunal established by statute.

CURRENT TOPICS.

PROFESSOR FRANCISCO BERNIS, of the University of Salamanca, has been appointed the correspondent of the Royal Economic Society for Spain.

PROFESSOR BERNIS has lately published a sequel to the statistics of prices in Spain which we noticed two years ago (ECONOMIC JOURNAL, Vol. XII., p. 348). This investigation does not extend over so wide an area as its predecessor. It relates to prices in Salamanca, and is largely the work of students inspired by the Professor. They must have found the collection and arrangement of the statistics a very useful exercise. Three index numbers for the course of prices during the period 1892–1913 have been constructed by taking respectively the simple average or arithmetic mean, the (simple) geometric mean, and the weighted (arithmetic) mean, the weights being based on the expenditure of families. The agreement between these three witnesses is very satisfactory. In fact, the curves which represent the three different series of figures are nearly parallel over large tracts, and occasionally almost coincident. These statistics, like those which we noticed before, show a decided rise in the level of prices during the first few years of the present century. But the upward movement seems to be reversed in more recent years. We are assured, however, in a communication which we have received from the author that the suggestion is not to be admitted without reservation. The calculation is largely based on contract prices paid by a charitable institution. Better management of this institution has resulted in improved terms. It is true that the prices of some articles of food—in particular meal and wine—have fallen in Spain as a result of changes in the duty called "impuesto de consumos." But for Spain generally our author is satisfied that the cost of living continues to rise. He has shown in his brochure that there is a parallel rise in nominal wages. The *Estudios estatisticos* to which we refer are published under the auspices of the Societat d'Estudis Ecónómics at Barcelona.

DR. J. W. MCILRAITH communicates the following figures in continuation for 1913 of the Index Numbers of prices in New Zealand, published in the JOURNAL for September, 1913 :—"The striking feature of 1913 was the arrest of the upward movement in prices. The remarkable rise of 4·5 per cent. in 1912 was

converted into a fall in 1913. The following table illustrates the movements of the principal groups of commodities :—

Year.	All Commodities.	Groceries.	Building Materials.	Vegetable Products.	Meats.	Other Animal Products.	Foods.
1912 4th Quarter	119	103	126	133	140	148	120
1912 Whole Year	117	101	124	125	137	142	119
1913 1st Quarter	119	103	125	124	142	149	117
1913 2nd ,,	119	101	125	122	148	148	116
1913 3rd ,,	117	101	124	117	148	143	113
1913 4th ,,	115	98	123	115	149	136	109
1913 Whole Year	117	101	124	120	147.	144	114

Thus, though the average level for 1913 was the same as that for 1912, viz., 117, yet, comparing the last quarter of 1913 with the corresponding quarter of 1912, we find that building materials were 2½ per cent. lower, animal products generally 3 per cent. lower, groceries 5 per cent. lower, products of the soil generally 6½ per cent. lower, vegetable products (cereals, hemp, etc.) 13½ per cent. lower, and foods generally 9 per cent. lower; while meats were 6½ per cent. higher; and prices on the whole 3½ per cent. lower."

The newest development in the specialised study of economics in Germany is the establishment of the "Königliches Institut für Seeverkehr und Weltwirtschaft" at the University of Kiel. The Institute is unique in its kind in Germany, and its aim, as set forth by its energetic Director, Dr. Bernhard Harms, who occupies the Chair for Economics at Kiel, is to advance study and research in those international economic problems that are beginning to call for detailed consideration. Lectures and "Seminars" will be held at the Institute, though these will be of somewhat secondary consideration. Foremost among its activities the Institute will regard the collection of all materials for its studies, *i.e.*, all manner of blue, white, and other books; consular reports in all languages; annual reports of banks, great industrial concerns, and the like, and a record of daily price variations in as complete a form as is possible. It intends to supply merchants and others with useful information, some of which it hopes to gather on the spot in distant lands by sending special commissioners about the world. The reports of these scholars are to be published, either in the "Weltwirtschaftliches Archiv" or separately. Further, it will set subjects for prize essays, and it will arrange to have

correspondents in foreign countries. The whole undertaking has been made possible by the subvention of the Prussian Education Department. The Institute was officially opened on February 24th, 1914.

A correspondent writes :—" A Co-operative Society has just been started in Oxford under the name of the Oxford University Co-operative Society, which has caused a good deal of excitement locally and in the daily Press. It has set up shop in High Street and deals at present chiefly in groceries, tobacco, and athletic goods. The idea is said to hail from Dublin, and to owe a good deal to a Dublin undergraduate, now resident in Christ Church, who formed a similar society in Trinity College. It has thus a special connection with the Irish movement, being very largely inspired by Sir Horace Plunkett's ideals and the work and writings of Mr. George Russell (Æ). The conditions in Oxford are, however, very different from those in Dublin; and one special difference is that while in Dublin, until the Society started, there were no college stores or junior common-rooms of any kind, in Oxford every college has one or both. One of the problems which the Society has to face at the outset is how to persuade the J.C.R.'s of the advantages they could get from the Society by treating it as *a wholesale* distributing agency."

"Membership in the Society is confined to members of the University and of the women's colleges, and its objects are stated as follows :—(i.) To show in a practical way the ideals, advantages, and possibilities of co-operation as an instrument of social reform. (ii.) To encourage the payment of cash for goods and to discourage the credit system by the advantages of dealing at the Society's store, and by special discount arrangements with Oxford firms. (iii.) To favour goods produced under fair conditions of labour as to hours, wages, etc., and especially goods of co-operative production. (iv.) To lessen the cost of living at the University. One very important object is to cheapen the cost of living in Oxford. No one can doubt that the cost of living is high and that prices, whether in colleges or shops, are, largely through the fault of the uneconomic consumer, higher than they need be. An association of consumers, therefore, such as the Co-operative Society affords, may well do something to reduce prices. But the movement, after all, cannot be judged purely on its local side. To nearly all those who come up to the University, Oxford is simply a stage through which they pass. Therefore, the primary

purpose is definitely educational. Up to the present the Co-operative movement has been almost entirely a working-class movement. There is no real reason why it should remain so, or why it should not spread to every class in the community. Should the movement succeed in the Universities, it will mean that a new kind of interest altogether will come in; that a regular succession of educated men will be drafted into the movement; and the addition of such men to a great democratic movement must have a great effect all round. Thus the Oxford Society will devote special attention to the education of educated men in the co-operative idea. The Society was started by undergraduates, and though it has had graduate supporters, it has been a thoroughly undergraduate movement from the first. It has an energetic and capable secretary and a strong representative committee of twenty-five undergraduates and five graduates, and the membership is growing steadily. Business has been distinctly good, and the initial difficulties have proved far less formidable than was feared. The shares are £1 each; but those qualified can become members by paying the registration fee of one shilling, though they have no voting power till they have one share at least fully paid up. Five per cent. is paid on the shares, and the dividend will be declared in all probability half-yearly. The Society is registered under the Industrial and Provident Societies Act (1893) and is a limited company."

THE following new fellows of the Royal Economic Society have been elected since the last issue of the JOURNAL :—

Mr. P. Anstey.
Sir David Barbour.
Mr. C. N. Bell.
Mr. H. Blackman.
Mr. C. H. Bray.
Mr. A. R. Burnett-Hurst.
Dr. I. G. Gibbon.
Mr. J. M. Hamilton.
Mrs. E. T. Harris.
Mr. H. Heaton.
Mr. R. Martin Holland.
Miss H. Jastrow.
Mr. Wahba El Kadi.
Mr. W. Kennedy.
Mr. M. A. Abdel Kereem.
Mr. H. W. Macrosty.
Mr. J. J. Mallon.
Mr. G. E. Matthews.
Prof. Wesley C. Mitchell.
Prof. P. Mukherjee.
Mr. H. V. Reade.
Mr. H. M. Ross.
Miss M. M. Sharpley.
Mr. Murray Stewart.
Mr. W. P. C. Trafford.
Prof. Uyeda.
Mr. John Weir.

THE following libraries and other institutions have been admitted either as full members or as direct subscribers :—

Woodbrooke Settlement, Birmingham.
Institute of Chartered Accountants.
Yale University Library.
Birmingham Chamber of Commerce.
Canning College Library, Lucknow.
Penrith U.D.C. Library.
Cambridge University Union Society.
City of Nottingham Public Library.
Huddersfield Public Library.
Dr. Williams' Library.
Newnham College Library.
Reform Club Library.
Armstrong College Library.
Chelsea Public Library.
Departmental Library of Economics, Cambridge.
Liverpool Public Library.
Plumstead Public Library.
Bureau of Railway Economics, Washington.
Johns Hopkins University Library.
New York State Library.
Bank of Bulgaria.
Connecticut State Library.
Cleveland Public Library.
Pei Yang University Library.
Southwark Central Library.

Appointments.—Mr. G. Findlay Shirras has been appointed to a newly created post of Director of Statistics under the Government of India.

Mr. Percy Louis Anstey, B.Sc. (Lond.), has been appointed Principal of the newly founded College of Commerce at Bombay.

Mr. Arthur Edward Brown, M.D., M.B. (Cantab.), has been appointed Professor of Political Economy and Political Philosophy at the Cotton College, Gauhati.

Mr. Herbert Heaton, an article by whom appears above, has been appointed Lecturer in History and Economics in the University of Hobart, Tasmania.

RECENT PERIODICALS AND NEW BOOKS.

Statistical Journal.

MARCH, 1914. *The Census of the Empire*, 1911. SIR J. A. BAINES. *The Rate of Interest on British and Foreign Investments.* R. A. LEHFELDT. Figures published in previous years are brought up to date by the addition of the interest rates on new issues made in 1913.

APRIL, 1914. *The Sizes of Businesses, mainly in the Textile Industries.* PROFESSOR S. J. CHAPMAN and T. S. ASHTON. A statistical research into the sizes of the "representative" firm. *Prices of Commodities in* 1913. SIR GEORGE PAISH. In continuation of Mr. Sauerbeck's annual articles.

MAY, 1914. *Rural Population in England and Wales: a Study of the Changes of Density, Occupations, and Ages.* A. L. BOWLEY.

The Economic Review.

APRIL, 1914. *The Census of Production and Agriculture.* L. W. WILSDEN. *Municipal Wage Disputes.* PROFESSOR D. H. MACGREGOR. Some suggestions for the future arising out of the recent Leeds dispute. *The Australasian Precedent in Social Legislation: an Example or a Warning?* PROFESSOR H. E. EGERTON. *Professor Smith and Dr. Marshall.* P. SARGANT-FLORENCE. A defence of Dr. Marshall's position against criticisms advanced by Professor J. A Smith in previous issues.

The Political Quarterly.

MAY, 1914. *The Present Law of Trade Disputes and Trade Unions.* W. M. GELDART. An important article, explaining the existing position with great clearness. *Municipal Government in Manchester.* E. D. SIMON.

Bankers' Magazine.

APRIL, 1914. *Balance-Sheets of Banks in the United Kingdom during* 1913. *Credit and Trade in the United States and Canada.* Statistics of failures and of clearing-house returns.

MAY, 1914. *Proportion of Cash to Deposits in* 1913. *Canadian Banking in* 1913. H. M. P. ECKARDT.

The New Statesman (Supplements).

MARCH 14, 1914. *The Working of the Insurance Act.* A striking and important commentary, described as being the Interim Report of a Committee of Enquiry instituted by the Fabian Research Department, under the chairmanship of Mr. Sidney Webb.

Sociological Review.

APRIL, 1914. *Some Principles of Industrial Organisation.* EDWARD CADBURY. On Taylor's Principles of Scientific Management, followed by a discussion.

Women's Industrial News.

APRIL, 1914. *The Barmaid.* MRS. BERNARD DRAKE. A full and interesting study of the conditions of employment. Two recommendations are made: that the Shop Hours Act, 1915, limiting the hours of work to 65, should be made compulsory in the trade; and that no woman who is under 21 should be employed in the sale of alcohol after 8 p.m. *What's Wrong with our Industrial Legislation?* L. WYATT PAPWORTH. A summary of the legislative reforms which ought to be carried out. *The Trade Boards: their Determinations to Date.* D. M. ZIMMERN. A tabular statement.

Journal of the Madras Economic Association (Madras).

PART I., 1914. *Inaugural Address.* SIR THEODORE MORISON. *A Preliminary Economic Survey of Kolavur.* C. D. SUBRAHMANIA CHETTI. *A Note on the Economic Condition of Kizhaputhaneri.* T. KRISHNASWAMI AYYAR. *An Economic Survey of Vanniyampakam.* C. D. SUBRAHMANIA CHETTI. This is the first issue of a new Journal to which the Royal Economic Society will wish every success. In his inaugural address Sir Theodore Morison drew attention to the wide and almost virgin field of useful economic inquiry open to Indian investigators, and the three papers following represent attempts at a beginning to explore this. Special attention should be called to Mr. Subrahmania's two articles. They represent a full and very valuable description of the economic conditions of two typical Madras villages, and are worth the notice of any student of Indian economics.

Quarterly Journal of Economics (Harvard).

FEBRUARY, 1914. *The Federal Reserve Act of 1913.* O. M. W. SPRAGUE. *The British Super-Tax and the Distribution of Income.* A. L. BOWLEY. *The Development by Commissions of the Principles of Public Utility Valuation.* RALPH E. HEILMAN. *The Social Point of View in Economics.*—II. LEWIS H. HANEY. *Some Economic Aspects of the New Long and Short Haul Clause.* J. M. CLARK. *Industry in Pisa in the Early Fourteenth Century.* F. C. DIETZ. *Mediation and Arbitration of Railroad Wage Controversies: a Year's Development.* F. WILBUR POWELL.

The American Economic Review (Boston).

MARCH, 1914. *The Federal Reserve Act.* H. P. WILLIS. An account, mainly, of the political history and origins of the new Act. *The New Income Tax.* ROY. G. BLAKEY. *Farm Credit Conditions in a Cotton State.* LEWIS H. HANEY. *Interest Theories, Old and New.* FRANK A. FETTER. Chiefly with reference to a recent controversy between Professors Seager and Irving Fisher.

SUPPLEMENT, 1914. *Proceedings of the Annual Meeting. The Renewed Extension of Government Control of Economic Life.* DAVID KINLEY. Presidential Address. *The Control of Public Service Corporations.* J. H. GRAY. *Certain Considerations in Railway Rate Making.* B. H. MEYER. By a member of the Interstate Commerce Commission, followed by a discussion of some interest. *The Problem of Syndicalism.* J. G. BROOKS. Mr. Roger Babson made an interesting contribution to the discussion. *Recent Trust Decisions and Business.* W. E. HOTCHKISS.

The Journal of Political Economy (Chicago).

FEBRUARY, 1914. *The Tariff of* 1913.—II. H. PARKER WILLIS. Continued in March. *Some Aspects of the Minimum Wage.* H. A. MILLIS. Details are given of the provisions of the existing laws, the principle of a minimum wage having been accepted in at least nine of the U.S.A. State legislatures.

MARCH, 1914. *Trade Unionism in the United States: General Character and Types.* ROBERT F. HOXIE. *Some Aspects of the Waterways Question.* H. G. MOULTON. *Shall we have an Introductory Course in Social Science?* A. B. WOLFE.

APRIL, 1914. A series of articles on the new U.S.A. Currency Act, including: *The Banking and Currency Act of* 1913.—I. J. L. LAUGHLIN. Continued in May. *The Financidl Policy of the Federal Reserve Banks.* T. CONWAY. *Banking Reserves under the Federal Reserve Act.* W. A. SCOTT.

MAY, 1914. Further articles on the new Currency Act. *Commercial Paper and the Federal Reserve Banks.* O. M. W. SPRAGUE. *The Probable Effects of the New Currency Act on Bank Investments.* J. H. HOLLANDER. *The Elasticity of Note Issue under the New Currency Law.* F. M. TAYLOR. *Trade Unionism in the United States.* R. F. HOXIE.

Political Science Quarterly (New York).

MARCH, 1914. *Public Employment Offices.* W. M. LEISERSON. On Labour Exchanges in the United States.

Revue d'Économie Politique (Paris).

MARCH-APRIL, 1914. *Étude critique du monisme économique de M. Achille Loria.* C. TURGEON. *Les changes étrangers.* G. FRANÇOIS.

Journal des Économistes (Paris).

APRIL, 1914. *Les comptes des chemins de fer de l'État.* G. DE NOUVION. *Le traité de Commerce russo-allemand et l'Allemagne exportatrice de céréales.* M. HOCHSCHILLER.

Revue Économique Internationale (Brussels).

FEBRUARY, 1914. *La Politique social en Angleterre et en Allemagne.* ACHILLE LORIA. An historical contrast. *La Question agraire en Angleterre.* E. CAMMAERTS. Mr. Lloyd-George's proposals. *Le crédit hypothécaire en Argentine.* G. LAFOND. *L'Expansion économique de la Hongrie en* 1913. F. VAN CAENEGEM.

MARCH, 1914. *L'Impôt de guerre en Allemagne.* G. GOTHEIM. *Un des Aspècts de l'Urbanisme: l'Agglomération de la Richesse.* C. B. TURRONI. *Les moyens financiers de l'industrie belge.* M. L. GÉRARD.

APRIL, 1914. *Le monopole d'État en matière de pétrole en Allemagne.* L. MÜFFELMANN. *Salaires et salariés dans l' griculture française.* M. LAIR. *Le fer en Normandie.* G. WEILL. *La situation économique actuelle de l'Albanie.* P. STOPPANI. *Les réserves en charbon de la Russie et de la Sibérie.* R. CAMPIER.

Archiv für Sozialwissenschaft und Sozialpolitik (Tübingen).

MARCH, 1914. *Zur Soziologie des modernen Dramas.*—I. G. VON LUKÁCS. *Die englische Agrarreform.*—I. HERMANN LEVY. A substantial article, to be continued. *Das Taylorsystem und seine volkswirtschaftliche Bedeutung.* W. KOCHMANN. *Beiträge zum Problem des Neomalthusianismus.* L. BERTA. *Der städtische Grund und Boden in England.* A. LOEWENSTEIN. *Die Kapitalbildung in Finnland.* A. HJELT. *Die Sparkasse und ihre socialwirtschaftliche Bedeutung.* F. STAUDINGER. With reference to recent literature. *Die Gewerkschaftsbewegung in Deutschland, die Arbeitersozialpolitik und die Kämpfe zwischen Unternehmern und Arbeitern im Jahre* 1913.

Annalen für Soziale Politik und Gesetzgebung (Berlin).

PARTS 5 AND 6, 1914. *Tatsachen und Ursachen der internationalen Verteuerung der Lebenshaltung.* CARL VON TYSZKA. Includes a number of useful tables showing the comparative rise in the cost of foodstuffs in various countries between 1900 and 1912. *Der Tarifgedanken in Deutschland.* H. SINZHEIMER. *Frauenarbeit und Familie.* EDMUND FISCHER. *Neue Gewerkschaftsliteratur.* PAUL KAMPFFMEYER. A valuable survey of recent German literature, covering altogether 41 different publications.

Finanz Archiv (Stuttgart).

PART I., 1913. *Oberfinanzrat Meisel und die preussische Einkommensteuerstatistik.* L. WALDECKE. A reply to an article which appeared in Schmoller's *Jahrbuch.* *Die englischen Bodenwertsteuern.* RENÉ PERRIN. *Die Reform der direkten Steuern in Ungarn.* F. FELLNER. A substantial article covering, with the extracts from recent Hungarian laws which follow it, 237 pages in small type.

PART II., 1913. *Die Entwicklung der serbischen Staatsfinanzen.* J. RAUDNITZ. *Die Steuerreform in Dänemark in* 1911–1912. H. SMITH. *Die Beweglichkeit der Gemeindegrundsteuer in Preussen.* WECK. *Die Finanzen der europaischen und der wichtigeren aussereuropaischen Staaten.* O. SCHWARZ. A summary. This part concludes with a bibliography of financial literature of 1912, and a general index to the first thirty volumes of the *Archiv.*

PART I., 1914. *Kolonialschulden und Kolonialanleihen.* O. JÖHLINGER. *Die Einnahmen des Grossfürstentums Finland.* J. VUOLLE-APIALA. *Die Stempelsteuern der deutschen Bun-*

desstaaten. H. WEINBACH. *Die Reichssteuerreform von* 1913. H. KÖPPE. A substantial article followed by texts of the new Acts.

Weltwirtschaftliches Archiv (Kiel).

OCTOBER, 1913. *Der Ausländer. Ein Beitrag zur Soziologie der internationalen Menschenaustausches.* HERMANN LEVY. *Über das Wesen und die Bedingungen des internationalen Nachrichtenverkehrs.* MAX ROSCHER. Continued in January. *"Innere" und "äussere" Anleihen in China.* W. BÜRKLIN. *Die Volkswirtschaft Agyptens in weltwirtschaftlicher Beleuchtung.* L. POLIER. *Das Auswanderungsproblem und die Arbeitslosigkeit in Ungarn.* A. BOLGÁR. *Die Krisis in der italienischen Baumwollindustrie.* A. CARONCINI. *International Trade and Trade Policy of United States.* W. T. JACKMAN. A review of current literature.

JANUARY, 1914. *Die Bilanz der internationalen Wertübertragungen.* W. ZOLLINGER. *Die Meistbegünstigungsklausel.* DR. PLANM. *Internationale Arbeiterschutzverträge.* E. FRANCKE. *Depeschenbureaus und internationales Nachrichtenwesen.* N. HANSEN. *Die theoretischen Probleme des stoffwertlosen Geldes.* BRUNO MOLL. With special reference to Knapp's theories. *Die gegenwärtige Stellung Coupons in der Weltwirtschaft.* L. VON WIESE. *Russische handelspolitische Strömungen.* K. LEITZ. *Zur Geldtheorie.* F. OPPENHEIMER. A review of some recent German literature.

APRIL, 1914. *Über die jahreszeitlichen Schwankungen des Gesamtwarenpreisniveaus.* C. BRESCIANI-TURRONI. The writer detects a regular seasonal variation in the general level of prices which tends to be relatively high in winter and low in summer. *Zahlungsbilanz und Wechselkurs.* W. ZOLLINGER. On the relation between exchange and the rate of discount, with reference to an article by Professor Schär in a former issue. *Weltwirtschaft und territoriale Machtpolitik.* NORMAN ANGELL. A reply to Professor H. Levy. *Das Problem beweglicher Zölle in seiner Bedeutung für die Stabilisierung der Getreidepreise.* A. HENNINGSEN. *Die Seewirtschaft an der Nordsee und in ihren Häfen.* A. OPPEL. *Entwicklungstendenzen in der chinesischen Volkswirtschaft.* VON KRIES. *Versuch einer Bibliographie zur Kriegswirtschaftslehre.* A. BLAUSTEIN. A considerable classified bibliography.

Arbeitsrecht (Stuttgart).

FEBRUARY, 1914. The first issue of a new Quarterly, described as a *Jahrbuch für das gesamte Dienstrecht der Arbeiter Angestellten und Beamten.* The annual subscription is 6 Marks. Bound up with the above as a supplement is another new Quarterly, *Beamten-Jahrbuch.* Most of the articles in both periodicals are short, five to seven pages.

APRIL, 1914. *Das öffentliche Interesse in Arbeitskämpfen (das kanadische Vorbild für Einigungsverfahren).* VON BERLEPSCH.

Giornale degli Economisti (Rome).

FEBRUARY, 1914. *Sintomi statistici delle condizioni economiche d'Italia.* GIORGIO MORTARA. A *synthetic* index-number for Italy is constructed on the general lines indicated by Pantaleoni in his *Scritti Varii,* Julin in the Journal of the Statistical Society, February, 1911, and others, but with special reference to the *correlation* between the changes in the different indices of progress—the total value of exports and imports, the quantity of coal imported, the quantity of coffee imported, and seven other items. So close is the correlation between the ten indices that it makes no practical difference what average we employ (simple) arithmetic, geometric, median, or weighted. Any one set of five out of the ten items shows much the same trend as any other set of five. However the construction is varied, the synthetic index-number shows a progress from 1901–5 taken as 100 to about 160 in 1912 (the progress *relative to population* being somewhat less). *Contributi alle dottrine della circolazione.* G. DEL VECCHIO. The gold-exchange standard, the relation of prices to discount, and other knotty points, are discussed. *Il fondamento logico delle statistica.* C. BRESCIANI TURRONI. The views of Professor "Ciuproff" (Tschuprow) on the first principles of statistics are favourably criticised and compared with those of other eminent writers. *Sull'utilità delle Rappresentazioni graphiche.* C. GINI.

MARCH. *Il salario ed il tenore di vita degli operai Giapponesi.* E. CAUDA. Wages in Japan have risen rather more than prices since 1900. But in considering whether the workman obtains the same "satisfaction," account must be taken of the changed style of life. An examination of numerous budgets of Japanese operatives presents interesting comparisons with the Western world. *Le condizioni . . . della Siberia.* JENNY GRIZIOTTI-KRETSCHMANN. The commerce, agriculture, tenure of land, and other economic features of Siberia are described. Detailed descriptions of the province of Palermo and of a portion of the Tripolitan territory are given in other parts of the March number.

APRIL. *Sintomi statistici delle condizioni economiche della Francia.* GIORGIO MORTARA. A "synthetic index-number" constructed, with great attention to the selection of the best indices, for France, shows an economic progress from 100 in 1900–1905 to about 130 in 1912. *Sull' impiego del coefficiente di correlazione. . . .* GIORGIO MORTARA. In place of the coefficient commonly called "*r*," Professor Mortara proposes a new method of measuring correlation. *Sopra il punto di monopolio di Cournot.* L. AMOROSO. An extension of Cournot's theory of monopoly to the progressive taxation of profits.

La Riforma Sociale (Turin).

MARCH, 1914. This number is devoted to a symposium or controversy on Dumping, in which Professors Cabiati, Jannacone, and Loria take part.

NEW BOOKS

English.

ANGELL (NORMAN). The Foundations of International Polity. London: Heinemann. 1914. Pp. xlviii+235. 3*s*. 6*d*. net.

[A collection of various addresses, of which one, originally delivered to the Institute of Bankers, on "The Influence of Credit upon International Relations," is of special economic interest. To be reviewed.]

BOSANQUET (HELEN). Social Work in London, 1869 to 1912. A History of the Charity Organisation Society. London: John Murray. 1914. Pp. xi+420. 8*s*. net.

[To be reviewed.]

CARPENTER (C.). Industrial Co-partnership. London: Co-partnership Publishers. 1914. Pp. 61. 1*s*. net.

[Three papers by the Chairman of the South Metropolitan Gas Company, with twenty-two pages of chronological notes on British Profit-sharing and Co-partnership.]

DRAGE (GEOFFREY). The State and the Poor. London: Collins. 1914. Pp. 264. 1*s*. net.

[In *The Nation's Library* series.]

HALL (HUBERT). A Select Bibliography for the Study, Sources, and Literature of English Mediæval Economic History. London: P. S. King. 1914. Pp. xiii+350. 5*s*. net.

[Compiled by a Seminar of the London School of Economics under the supervision of Mr. Hall. To be reviewed.]

KEELING (FREDERIC). Child Labour in the United Kingdom. A Study of the Development and Administration of the Law relating to the Employment of Children. London: P. S. King. 1914. Pp. xxxii+326. 7*s*. 6*d*. net.

[A report drafted by the author on behalf of a Sub-committee of the British Section of the International Association for Labour Legislation. To be reviewed.]

LAYTON (W. T.). The Relations of Capital and Labour. London: Collins. 1914. Pp. 264. 1*s*. net.

[In *The Nation's Library* series. To be reviewed.]

LENNARD (REGINALD). Economic Notes on English Agricultural Wages. London: Macmillan. 1914. Pp. ix+154. 5*s*. net.

[More particularly concerned with the policy of establishing minimum agricultural wage-rates. To be reviewed.]

LOVEDAY (A.). The History and Economics of Indian Famines. London: G. Bell. 1914. Pp. xi+163. 2*s*. 6*d*. net.

[To be reviewed.]

MALLOCK (W. H.). Social Reform as related to Realities and Delusions. London: John Murray. 1914. Pp. xii+391. 6*s*. net.

["An examination of the increase and distribution of wealth from 1801 to 1910." To be reviewed.]

MORGAN (H. E.). The Dignity of Business. Thoughts and Theories on Business and Training for Business. London: Ewart, Seymour. 1914. Pp. x+260. 2*s*. 6*d*. net.

["Showing how and why we should train our boys for business." Primarily an appeal to Cambridge and Oxford to establish Business Curricula.]

MONEY (L. G. CHIOZZA). The Nation's Wealth. London: Collins. 1914. Pp. 264. 1*s*. net.

[In *The Nation's Library* series.]

MORLEY (EDITH J.). Women Workers in Seven Professions: a Survey of their Economic Conditions and Prospects. London: Routledge. 1914. Pp. 318. 6s. net.

["Edited for the Studies Committee of the Fabian Women's Group." Deals with the conditions of employment for women as teachers, doctors, nurses, actresses, civil servants, clerks, secretaries, sanitary inspectors and health visitors.]

RATHBONE (ELEANOR F.). Report on the Condition of Widows under the Poor Law in Liverpool. Liverpool: Lee and Nightingale. 1914. Pp. 64. 2*d*.

[A collection and examination of cases, presented to the Annual Meeting of the Liverpool Women's Industrial Council, 1913.]

ROWNTREE (B. SEEBOHM). The Way to Industrial Peace and the Problem of Unemployment. London: Fisher Unwin. 1914. Pp. 182. 2*s*. 6*d*. net.

[Chiefly reprinted from the *Daily Chronicle*, *Evening News*, etc.]

SEEBOHM (FREDERIC). Customary Acres and their Historical Importance. London: Longmans, Green. 1914. Pp. xiii+274. 12*s*. 6*d*. net.

[This is a series of six unfinished essays, from the third of which the title of the book is taken, which have been published posthumously under the editorship of the author's son. To be reviewed.]

SMART (WILLIAM). An Introduction to the Theory of Value on the lines of Menger, Wieser, and Böhm-Bawerk. Third Edition. London: Macmillan. 1914. Pp. x+104. 1*s*. 6*d*. net.

[This is apparently a reprint of the previous edition.]

TAWNEY (R. H.). Minimum Rates in the Chain-making Industry. London: G. Bell. 1914. Pp. xiii+157. 1*s*. 6*d*. net.

[*Studies in the Minimum Wage, No. I.*, published by the Ratan Tata Foundation. "Mr. Tawney's book is the first of a series in which it is proposed to examine some of the attempts which have been recently made to establish and enforce minimum standards of payment." To be reviewed.]

The Land: the Report of the Land Enquiry Committee. Vol. II., Urban. London: Hodder and Stoughton. 1914. Pp. xxxi+728. 1*s*. and 2*s*. net.

[The result of an inquiry made by an unofficial Committee appointed by the Chancellor of the Exchequer, of which the first volume is reviewed above. To be reviewed.]

WHITTAKER (SIR THOMAS P.). Ownership Tenure and Taxation of Land. London: Macmillan. 1914. Pp. xv+574. 12*s*. net.

[To be reviewed.]

WILLIS (W. N.). White Slaves of Toil. London: Pearson. 1914 Pp. 208. 1*s*. net.

[On sweated women and children.]

American.

BILGRAM (HUGO). The Cause of Business Depression, as disclosed by an Analysis of the basic Principles of Economics. Philadelphia: J. B. Lippincott. 1914. Pp. xvii+531. 8*s*. 6*d*. net.

[Produced "in collaboration with Louis Edward Levy." A theoretical, but unacademic and unorthodox, study. The authors appear to hold the not altogether novel belief that shortage of capital is due to shortage of money, and that many ills could be cured by a sufficient ease of issue of credit money.]

DEWING (ARTHUR S.). Corporate Promotions and Reorganisations. Cambridge (U.S.A.): Harvard University Press. 1914. Pp. ix+615. $2.50.

[*Harvard Economic Studies*, Vol. X. "The following studies were prepared for the purpose of studying in detail the stages in the life-histories of a selected group of industrial combinations." To be reviewed.]

KNAUTH (O. W.). The Policy of the United States towards Industrial Monopoly. New York: Columbia University. (London: P. S. King.) 1914. Pp. 233. 8*s*.

[*Columbia University Studies.* The period from 1890 to 1913 is dealt with. To be reviewed.]

MAVOR (JAMES). Applied Economics: a Practical Exposition of the Science of Business, with Illustrations from Actual Experience. New York: Alexander Hamilton Institute. 1914. Pp. xxi+487.

[The first volume of a new series under the editorship of Prof. J. F. Johnson of the New York University School of Commerce. "The Modern Business Course and Service is designed for wide-awake business men," and appears to be suitable for readers who wish for general information that does not go very deeply below the surface of things. The illustrations chosen are largely taken from Canadian and Oriental conditions.]

MEYER (H. H. B.). List of References on Federal Control of Commerce and Corporations, special aspects and applications. Washington: Government Printing Office. 1914. Pp. 104. 15 cents.

[Published by the Library of Congress.]

MOSES (ROBERT). The Civil Service of Great Britain New York: Columbia University. (London: P. S. King.) 1914. Pp. 324. 8*s*.

[*Columbia University Studies*, "Its object is to present the steps in the reform of the English Civil Service with particular emphasis upon the success of competitive examinations . . . . The author has had constantly in mind the influence of the reformed English Civil Service upon the Civil Service of the United States." To be reviewed.]

OSBORNE (A. A.). Speculation on the New York Stock Exchange, September, 1904—March, 1907. New York: Columbia University. (London: P. S. King.) 1913. Pp. 172. 6*s*.

[*Columbia University Studies.* To be reviewed.]

SEAGER (HENRY ROGERS). Principles of Economics. New York: Henry Holt. (London: G. Bell.) 1913. Pp. xx+650. 10*s*. 6*d*. net.

[This is a revised version, and, in effect, the fourth edition of Professor Seager's *Introduction to Economics*. The extent of the changes made in this edition is explained by the author as follows: "I have done a good deal more than bring the information up to date. I have rewritten several of the theoretical chapters and recast the explanations of the laws of value and distribution . . . . The changes in the second half of the book, dealing with practical economic problems, have been even more extensive. The rearrangement and expansion of the material have resulted in four new chapters on the Reform of the Tax System of the United States, Profit Sharing and Labour Co-partnership, Social Insurance, and Socialism, in place of the single chapter on Plans of Economic Reform in the previous edition."]

VANDERLINT (JACOB). Money Answers All Things (1734). Baltimore: Johns Hopkins Press. 1914. Pp. 164. $1.

[A reprint of an economic tract, under the editorship of Prof. J. H. Hollander. "The essay is one of the most important of the flood of economic writing evoked, directly and indirectly, by Walpole's excise scheme. A series of writers, as far back as Lauderdale, credit Vanderlint with authorship of the project of the single tax on land . . . ."]

WALLING (W. E.). Progressivism and After. New York: Macmillan Company. 1914. Pp. xxxv+406. 6s. 6d. net.

[On the relations between the Progressive, Labour, and Socialist Parties.]

WHITNEY (NATHANIEL RUGGLES). Jurisdiction in American Building-Trades Unions. Baltimore: Johns Hopkins Press. 1914. Pp. vii+182. $1.

[*Johns Hopkins University Studies.* The fourth monograph recently published in this series on American Trade Unionism.]

French.

SELIGMAN (EDWIN R. A.). Essais sur l'Impôt. 2 vols. Paris: Giard & Brière. 1914. Pp. viii+521+vii+618. Fr. 30.

[Translated from the eighth American edition by Dr. Louis Suret.]

German.

AUGSTIN (MAX). Die Entwicklung der Landwirtschaft in den Vereinigten Staaten von Nordamerika und ihr Einfluss auf die Preisbildung Landwirtschaftlicher Erzeugnisse. Munich: Duncker & Humblot. 1914. Pp. 149. M. 4.

[Schriften des Vereins für Sozialpolitik, 141.]

CALWER (RICHARD). Das Wirtschaftsjahr 1908. Zweiter Teil: Jahrbuch der Weltwirtschaft 1908. Jena: Gustav Fischer. 1914. Pp. 421. M. 21.

["Jahresberichte über den Wirtschafts- und Arbeitsmarkt für Volkswirte und Geschäftsmänner, Arbeitgeber- und Arbeiter-Organisationen."]

CALWER (RICHARD). Das Wirtschaftsjahr 1912. Erster Teil: Handel und Wandel. 1912. Jena: Gustav Fischer. 1914. Pp. vii+314. M. 17.

EDWARDS (WILLIAM HAYDEN). Das Anlagekapital der Nordamerikanischen Eisenbahnen und seine Verziehungen zum Reinertrage. Berlin: Julius Springer. 1914. Pp. 78.

[Reprinted from *Archiv für Eisenbahnwesen*, 1913.]

DEGENFELD-SCHONBURG (F. GRAF VON). Die Lohntheorien von Ad. Smith, Ricardo, J. St. Mill, und Marx. Munich: Duncker und Humblot. 1914. M. 3.

[Schmoller's *Staats- und sozialwissenschaftliche Forschungen*, 173. This book consists of an historical account of the wage theories of the above writers, and nearly half of it deals with Marx. There is little, if any, critical discussion and no attempt at the formulation of a new theory of wages or the restatement of any current theory.]

LEUBUSCHER (CHARLOTTE). Der Arbeitskampf der englischen Eisenbahner im Jahre 1911. Mit einem einleitenden Überblick über die allgemeinen Entwicklungstendenzen in der heutigen englischen Arbeiterbewegung. Munich: Duncker und Humblot. 1913. Pp. x+118. M. 3.

[Schmoller's *Staats- und sozialwissenschaftliche Forschungen*, 174. To be reviewed.]

MANN (FRITZ KARL). Der Marschall Vauban und die Volkswirtschaftslehre des Asbolutismus. Eine Kritik des Merkantilsystems. Munich: Duncker und Humblot. 1914. Pp. xvi+526. M. 12.

[To be reviewed.]

MOREL (FELIX). Aktienkapital und Aktien-Emissionskurs. Munich: Duncker und Humblot. 1914. Pp. xii+54. M. 2.50.

[Schmoller's *Staats- und sozialwissenschaftliche Forschungen*, 176. Gives particulars of German industrial issues from 1903 to 1912.]

SALIN (EDGAR). Die wirtschaftliche Entwicklung von Alaska (und Yukon Territory). Ein Beitrag zur Geschichte und Theorie der Konzentrationsbewegung. Tübingen: J. C. B. Mohr. 1914. Pp. viii+226. M. 5.

[*Archiv für Sozialwissenschaft und Sozialpolitik: Ergänzungsheft*, 12.]

SCHREIBER (EDMUND). Die volkswirtschaftlichen Anschauungen der Scholastik seit Thomas v. Aquin. Jena: Gustav Fischer. 1913. Pp. viii+246. M. 7.50.

[The first issue of *Beiträge zur Geschichte der Nationalökonomie*, to be issued under the editorship of Prof. Diehl. To be reviewed.]

TYSZKA (CARL VON). Löhne und Lebenskosten in Westeuropa im 19. Jahrhundert (Frankreich, England, Spanien, Belgien). Munich: Duncker und Humblot. 1914. Pp. viii+291. M. 8.

[*Schriften des Vereins für Sozialpolitik*, 145. To be reviewed.]

WALTER (H. A.). Die neuere englische Sozialpolitik. Munich: R. Oldenbourg. 1914. Pp. xiv+179. M. 4.

[With an introduction by Mr. Lloyd George. A further volume in Dr. Sieper's *Die Kultur des modernen England* series. On Trade Unionism, Labour Exchanges Social Insurance, etc.]

Italian

ALBERTI (M.). Verso la crisi. Con prefazione di L. Luzzatti. Trieste: Schimpff. 1914.

CAPOCCI (O.). Industria a domicilio e minimo obligatorio di salario. Naples: Sperro. 1914.

EINAUDI (LUIGI). Corso di Scienza delle Finanze. Seconda edizione curata dal Dottor Achille Necco. Turin: E. Bono. 1914. Pp. l+1010.

[An elaborate treatise, based on Professor Einaudi's lectures. To be reviewed.]

LABRIOLA (A.). Il socialismo contemporaneo. 1914.

MARCONCINI (F.). L'Industria domestica salariata nei rapporti interni e internazionali. Turin: Bertinatti. 1914. Pp. 847

[With a preface by Professor Loria.]

MORTARA (G.). Numeri indici dello Stato e del Progresso economico delle Regioni Italiane. Numeri indici delle condizioni economiche d'Italia. Sintomi statistici delle condizioni economiche d'Italia. Studi di semiologia economice. Rome: Athenaeum. 1913–1914.

[These are a series of papers reprinted separately from various issues of the *Giornale degli Economisti* July 1913 to April 1914. The two first were noticed under *Recent Periodicals* in the ECONOMIC JOURNAL, September and December, 1913, and the two latter are noticed above, p. 351.]

VICESELLI (G.). Lavoro e maternità. Turin: Unione Tipographio. 1914.

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THE ECONOMIC JOURNAL

SEPTEMBER, 1914

A NON-MONETARY CAUSE OF FLUCTUATIONS IN EMPLOYMENT.

It has been observed for a long time that the trades connected with the construction of durable goods, such as buildings, ships, machinery, works of construction, &c., are liable to specially heavy fluctuations in employment. Reasons have often been suggested, but usually the argument has taken the line that if, for some ulterior reason, there is a fluctuation in general trade connected with changes in general prices and with the rate of interest, the producers of the instruments of production will be more particularly affected. Without implying any criticism of that line of reasoning, I would suggest that there is a more fundamental reason why there must be, under competitive conditions, heavy fluctuations in the production of durable goods (whether instruments of production or not), whether there be general movements of good and bad trade or not, and that perhaps we ought rather to put the argument the other way round, and find in the independently-caused fluctuations in the production of durable goods one at least of the principal factors in producing monetary disturbances and general fluctuations.

The influence of durability as an independent cause of variability of demand for production of goods is noted by Prof. Pigou (*Wealth and Welfare*, p. 144), and appears to be suggested more recently by D. H. Robertson in a paper read to the Royal Statistical Society (December, 1913). The manner in which durability operates deserves, however, somewhat more extended examination. It can be shown, I think, that great variability is not really theoretically inevitable, but is largely the result of competitive conditions which, in the case of durable goods, do not result in the harmony of individual and social interests.

It is hardly necessary to point out that the quantity of every class of goods required in a growing world cannot increase in a smooth and uniform manner. Even in the case of such necessary things as wheat, there are changes taking place in the demand on account of changes in taste; many people going to live in America, for instance, eat more wheat and less rye than before, and others are taking to consuming less wheat and more meat. Moreover, the variations in the harvests—*i.e.*, in the supply—of rye, oats, and potatoes produce variations in the demand for wheat, and *vice versâ*. With less elementary necessaries it is still more clear that all sorts of influences are at work apart from the mere increase of population, with the result that the total demand for any commodity is not likely to increase in a perfectly steady way, even if there were no general movements of good and bad trade.

In general, however, it would seem that the change in demand for any one important commodity in a large country, apart from fluctuations of good and bad trade, would be quite small from year to year—allowing for a certain tendency for increase with the growth of population and wealth,—and it is not apparent why there should be any particular difficulty in meeting the variations by quite small adjustments of production. Suppose, for instance, that the demand for woollen clothes turned out to be 5 per cent. more or 5 per cent. less one year than was expected. There would be no great difficulty caused. The amount of unemployment of spinners and weavers arising when 5 per cent. less cloth than expected was in demand would not be considerable. It is easy to see that changes of 5 per cent. or much more might easily occur in the demand for a particular kind of woollen goods merely from a change of fashions, but it does not seem probable that merely chance variations in demand, independent of general movements of good and bad trade, would result often in a deficiency or excess of more than 5 per cent. above or below what would normally be expected in the demand of a great market for a great group of staple goods such as woollen clothing.

There is a very important distinction, however, between the demand for the production of durable goods and the demand for the production of comparatively non-durable goods. The distinction between the two classes is, of course, one of degree, but that does not alter the fact that there is a broad distinction. Durable goods are such as last many years, so that they are accumulated, and a large stock exists, the production within any limited period of

time such as a year being partly required for the maintenance of the stock and partly for additions to stock. The principal durable goods are buildings, works of construction, and ships. I will illustrate the argument by the last-mentioned class only, because shipbuilding happens to be a very important industry in England, and also because it furnishes a very good illustration. The demand for ships, in the sense in which the word demand is used in the preceding paragraphs, means demand for the use of the total stock of ships, *i.e.*, demand for transport. That demand, like the demand for woollen clothes, is liable to slight variations from year to year, quite apart from periodical trade fluctuations, variations which are the resultant of many independent causes, and therefore probably in the aggregate rather small, since they may be expected to neutralise each other to a large extent. Still, it is highly improbable that in a growing world the demand would increase in a perfectly uniform way. If the stock in existence in 1900 were twenty million tons, the increase per annum of tonnage required might be half a million per annum over the next ten years with the growth of the world's trade, but it would be very surprising if it were exactly that amount each year. In the case of woollens I suggested that there might be an unexpected deficiency or excess of demand of 5 per cent. Suppose that in the case of shipping the demand in successive years, instead of being

1900.	1901.	1902.	1903.	1904.	1905.
20,000,000	20,500,000	21,000,000	21,500,000	22,000,000	22,500,000

which we might call the expected demand,[1] were to be

20,000,000	20,400,000	20,600,000	21,000,000	22,000,000	22,500,000
1900.	1901.	1902.	1903.	1904.	1905.

(Purely hypothetical figures are taken because the actual figures are influenced by periodical trade booms and depressions.)

In 1903 there is half a million tons less than the expected demand, but that is a variation from the expected of less than 2½ per cent. In the case of woollen goods it was remarked that a 5 per cent. unexpected deficiency in the quantity demanded would not greatly disturb the producers of woollens. The above figures in regard to demand for ships would mean, however, a great disturbance in the demand for shipbuilding.

Suppose that a ship lasts on an average twenty years.[2] To

[1] Geometrical progression would be, perhaps, a better series for the "expected" demand but the difference would be unimportant.

[2] There is no particular significance in the exact figures. It is not suggested in this paper that there is any simple numerical correspondence between the average durability and the length of the period of trade fluctuations.

maintain a stock of twenty million tons would require an annual production of one million tons. The amount required for maintenance of the stock, *i.e.*, replacement of ships lost and broken up, would depend, of course, on the average age of the tonnage in existence, and, strictly speaking, there would not be one million tons to be replaced in 1900, because twenty years previously the total tonnage would have been less. It is not necessary, however, for the purpose of the argument, to go far into that question. Let us take the amount required for maintenance of stock as one million tons each year—in so far as that is incorrect the argument is strengthened. Let it be supposed, further, that it takes one year to build a ship.[1] Then the production required each year to give the quantities available as shown would be :—

1900.	1901.	1902.	1903.	1904.
1,400,000	1,200,000	1,500,000	2,000,000	1,500,000

Thus the quite small variations in the slowly increasing demand for the use of the stock of ships, variations which might arise from purely accidental causes unconnected with general good or bad trade, are reflected in a much exaggerated degree in the demand for shipbuilding, the quantity to be *built* in 1903 being 66⅔ per cent. above that in 1901; whereas the quantity demanded for *use* in 1904 is only 6·8 per cent. above that demanded for use in 1902.

That peculiarity in regard to the demand for annual production of durable goods is, I suggest, one of the principal underlying causes of industrial fluctuations. I do not suggest that monetary considerations are not important, but that they are probably as often as not a *result* of the fluctuations in the great constructive industries connected with the production of durable goods, and especially are probably brought about by the high prices of materials in "boom" periods. In times of depression it is easy to see that the disturbance of purchasing power caused by the latter fluctuations is reflected in other industries, and sets in motion the vicious circle of depression, and has considerable influence in linking together the fluctuations in the various

[1] There is not, in my view, much significance in the length of time of construction, as suggested by Robertson and Aftalion. If ships took only six months to construct, the variability of demand for new construction would be the same, only there would be just half the quantity under construction at any moment of time. Shorter periods of construction would not make it in any degree more possible to build in advance of requirements—rather the reverse. Building would be more than ever concentrated at the "boom" times. See also the concluding paragraphs of this paper.

industries and in the various countries of the world. The monetary disturbances are an exaggerating influence, and also tend to give a greater degree of regularity in the periodicity than would be expected simply from the purely industrial and probability considerations which have been mentioned.

The linking together of the movements in certain groups of trade is easily understood quite apart from credit or banking disturbances. The building of ships requires the construction of much machinery and the rolling of plates and girders, so that the group of trades which are affected comprises a large part of the engineering and iron and steel work in England. There is therefore a considerable disturbance of purchasing power by the fluctuation in earnings of workmen and shareholders in that large group of trades, and, further, the variability of demand for shipbuilding materials—which itself is heavy for the reason explained—tends to make a still heavier variability in the demand for the construction of the durable capital involved in the production of shipbuilding materials. This double exaggeration is checked, however, by the fact that the durable capital required for the production of shipbuilding materials is also used for other purposes. It is not difficult to understand, however, that sometimes, purely by chance, disturbances in important industries may coincide, and also that the disturbance of purchasing power tends to make them follow on one another, if not exactly to coincide. It is not surprising to find, however, that the fluctuations of the building trade, which is largely an independent group from shipbuilding and engineering, do not closely follow the latter.

The importance of recognising that there is this great tendency to fluctuation in the constructive trades, quite apart from money disturbances, is not purely theoretical. For one thing, it supports the view that unemployment insurance is a proper remedy to take, and it also suggests that insurance is, so far as it goes, a preventive of disturbance. If it be the case that the disturbance of purchasing power among the persons directly affected by these trades is in an important degree a root cause of reaction on other trades, it would seem that a scheme which checks that reaction by diminishing the fluctuations of purchasing power of shipbuilders, &c., must do something, if not very much, to check extension of the disturbance.

Another conclusion of some interest is that willingness on the part of wage-earners to accept considerable fluctuations in wages would be no remedy—but that point will be referred to

later on. It is necessary, first of all, to consider more fully why *free competition acting on supply* and demand does not tend to limit the fluctuations as much as is economically possible.

If we take the figures given above, for the sake of argument, as representing the quantity of shipping which could be made use of at normal rates of freight in the years 1900 to 1905, we naturally ask why the increased building should not be anticipated and spread over the earlier years.

The first answer may be: It could not be anticipated beforehand to any serious extent. No doubt that is very largely true, but we may ask why there should not be a reserve of ships which could be called into use when required, and laid up when not required. It may not be known beforehand precisely in what year there will be an unexpectedly large increase in demand for ships, but it is known that there are fluctuations, and a reserve of a few per cent. of the total quantity of tonnage which is maintained would be sufficient to meet the difficulty, and avoid great fluctuations in both freight charges and shipbuilding. Some may maintain, in fact, that there is such a reserve, and that, therefore, the whole argument falls to the ground.

Without appealing to very recent experience, when there was a shortage of ships and an enormous rise of freights, it is demonstrable *a priori* that under a system of competition the necessary reserve cannot be maintained. A reserve which would prevent fluctuations in shipbuilding would have to be such that in the years when demand was unexpectedly large it would meet that demand, without any abnormal shipbuilding the year before, and prevent freights from going above the level which gives normal profits to shipowners. Hence at every time but the "peak-load" times there would have to be some excess of tonnage, just as in an electric power-house there is during nearly the whole day a reserve of unused capacity which is actually required only for a very short period.

The case of ships differs from that of the power-house, however, in that the reserve, whenever it exists, is on the market, and depresses freights below the paying level. That depression must, in the long run, be balanced by high earnings during periods when tonnage is deficient. If there were no such periods of deficiency of tonnage, shipowning would be a very profitless business wherever there was no close "ring." With a multitude of competing owners the reserve can only act on the "hit and miss" principle. At one moment it is found that there is an excess of tonnage, freights fall low, and owners put off ordering

new ships until, in course of time, it is found that there is a deficiency, and freights rise to a very profitable level, and there is a rush of orders for the builders. That state of things is very wasteful of both capital and labour.

The maintenance of an adequate reserve which would suffice to prevent the occurrence of any serious deficiency would, it is true, involve waste through the loss of profits, interest, and depreciation on more or less of unused tonnage in all but a few exceptional seasons. There is good reason for supposing, however, that that waste would be much less than the waste of capital and of specialised labour which arises from the fluctuations in demand at the shipbuilding, engineering, and iron and steel works under competitive conditions. Competition, in this case, seriously fails to tend towards maximum economy for the whole of the interests involved, and that is true not only if the variations in demand for ships are unpredictable, but even if they are predictable, as no doubt they are within rather wide limits of error for a short period ahead.

Consider first how the problem would present itself to a great shipowning trust which controlled all shipping, but which was governed in the interests of the public, and had to earn only a normal remuneration on its capital. Experience would show that a certain margin of reserve tonnage would suffice to prevent the necessity for great increases of building within a short period of time. If at any particular date there were found to be an excess of tonnage, there would be a motive for reducing building orders. That would induce builders to offer some concession in prices. The directors of the trust would have to weigh against the concessions offered the chance of having some tonnage on hand too soon and of having to allow for interest and depreciation on unused tonnage. Suppose that, had things turned out as expected, 1,500,000 tons would have been ordered, but as the actual situation has developed it would seem that 1,000,000 would suffice this year. The directors would have to consider whether the concession in prices offered by the builders would make up for the probability of their having to lay up 500,000 additional tons, a small fraction only of the total tonnage.[1] Against that is to be set a concession of prices by the builders and the possibility that if the smaller tonnage only is ordered this year, there may be a shortage later on and necessity for paying excessive prices.

[1] Alternatively they might find more or less of use for the reserve tonnage in such a way as not to spoil the market and reduce ordinary freight charges appreciably.

The result probably would be some compromise, and the shipbuilding industry would experience some fluctuation, but the magnitude of the pressure brought to bear in the direction of fluctuation in shipbuilding would be simply the magnitude of the actual waste which would result from the avoidance of the fluctuation, *i.e.*, the loss of interest and depreciation arising out of the building of some tonnage earlier than necessary. It would be that loss which the shipping trust would weigh against concessions which the builders would be forced to offer when faced with a prospect of reduced orders for building.

With competing shipowners, on the other hand, the existence of a present excess would mean low freights for the whole quantity of shipping in existence, and the disposition of the shipowners to order, or refrain from ordering, new tonnage would be influenced mainly by that low level of freight. It is no longer the mere loss of interest and depreciation on half a million tons which is weighed against the price concessions offered by the builders. It is a loss in earnings on all shipping, which is much greater than the real waste. Far the greater part of the loss of freight earnings is merely a transference of wealth from shipowners to the consumers of goods carried in ships. To the shipowner, however, it is mere loss, whatever it may be to the world, and that loss is what influences him in deciding whether any concession offered by the builders is sufficient to make it worth his while to place his orders now or to wait till next year.

One must not accept too hastily, however, the conclusion that the hypothetical trust would place its orders more evenly than a body of competitive shipowners, or that there would be a net saving of waste of capital and labour if the shipyards were employed more regularly only by having more idle capital in the form of unused or half-used ships. There is always a strong *primâ facie* presumption that competition will result in minimising the net loss more effectively than any other system.

Let us consider the position at some moment of time when there is an excess of tonnage.

For competitive shipowners that means low freights for all shipping. It may very well be said, however, that the question of the amount of orders for new ships to be placed does not depend upon the magnitude of the losses on existing ships, excepting in so far as that may indicate a probability of loss on future tonnage when it is ready for use. If freights are, say, 20 per cent. below the normal, and a shipowner thinks that demand will not reach normal for several years, he may estimate that a ship ordered now

will earn 20 per cent. below normal in its first year. That probability is what he would weigh against any concession in prices which the builders may offer to induce him to place the order now rather than wait a year longer. What does it matter whether the present low rate of freight is being earned on a large or on a small quantity of existing tonnage? The existing tonnage is already there, and what is past cannot be undone.

On the other hand, the trust would not have a low rate of freight to consider, but the loss of interest and depreciation on the excess tonnage. The marginal loss for the trust, however, would be not very different from the marginal loss for the competitive shipowner, and *primâ facie* the calculation as to whether an additional unit of tonnage should be ordered from the builders is nearly the same in the two cases, such difference as there might be tending towards the early placing of orders under competitive conditions rather than under the trust *régime*.[1]

It is evident, however, that there is a fallacy in this "marginal" argument, if we recollect that in the long run the shipowner must make something like normal profits. If orders would have been placed for 20,000 tons this week at prices current previously, but, owing to a cut in prices, 25,000 tons are ordered, the owner who was induced to place the order for 5,000 tons does not take into account the fact that when the ship is ready it will have a small effect in reducing freights and thus reducing the earnings of all ships. The effect, to any one shipowner, of that extra 5,000 tons is negligible, but the effect on shipowners as a whole is not a quantity of the same order of smallness, and that kind of thing going on week after week would mean losses to shipowners as a whole, and these losses are not taken count of in the calculations. They are not compensated for by the reduced prices offered by the builders. They must be made up for at some subsequent period by the existence of periods of scarcity of tonnage.

In the case of the trust, on the other hand, if 25,000 tons are

[1] If all shipping were uniform, with the same working expenses and the same interest and depreciation required to be earned, the marginal losses in the case of the trust and the competitive owners would be the same under similar conditions as to demand and excess of supply of tonnage. Also, independently of the above conditions, it would be the same if the short-period demand for transport were perfectly elastic. Independently of both the above conditions it would be the same if the trust could use some of its excess tonnage at lower rates of freight than the normal without depreciating the normal rate for the bulk of the tonnage. To show these points would require a diagram, but I do not think it necessary to elaborate them because the main point is that the marginal argument is fallacious, for the reasons stated in the text.

ordered instead of 20,000, the loss of interest and depreciation is compensated by the cheaper price of construction, and there is not any necessity created for some corresponding period of scarcity at a later date.

It follows that if competitive shipowners do in fact make average profits in the long run, they must be influenced, in regard to the placing of orders not only by the apparent prospects of profit from the particular ships ordered at any moment, but also by a general view, looking backwards, of the profits earned in the past on existing ships. Thus their unwillingness, in times of depression, to place orders in advance must be much greater than would be that of the hypothetical trust, when faced with the same indications as to future demand and the same degree of reduction in building prices. It follows that the waste of capital and labour is much greater than is theoretically unavoidable.

It also follows, I think, from these considerations that greater willingness on the part of workmen in the shipyards to accept reductions of wages in times of bad trade would not have much effect, in the long run, in steadying employment, *i.e.*, under conditions of competition in shipowning. Thus suppose, as before, that 20,000 tons would have been ordered at normal building prices, but, owing to greater reductions in wages, 30,000 tons are ordered instead of, as before, 25,000. The antedating is greater than before, more ships are ready for use in advance of needs, and the consequent reduction of freight rates is greater. The effect must be, in the long run, to increase the reluctance of shipowners to antedate orders in response to a given reduction in building prices.

It does not follow that that would entirely neutralise the effect of the increased variability of shipbuilding prices in the direction of spreading the building orders more evenly, but it must tend to prevent that result from occurring. Greater variability of building prices, from whatever cause arising, would not remove the fundamental difficulty.

The case of ships is not exactly parallel with that of other durable goods, firstly, in that dwelling-houses, railways, docks, waterworks, etc., are not so thoroughly competitive with one another as are ships. It is quite possible, and in fact quite usual, for railway companies to have almost always a margin of reserve capacity both as regards permanent way and rolling-stock, since the existence of such reserve does not, in most countries, result in much cutting of rates and fares. At some periods that has been the case—in America, for instance—and at such periods there

were tremendous fluctuations in the demand for new construction and for new rolling-stock. On the whole, it seems probable, however, that there is not the same degree of competitive difficulty in these cases, but there is in a still greater degree than in the case of ships, the exaggerated variability in demand for annual construction resulting from the durability of the things in question. Even without the competitive difficulty that is still a serious, if unavoidable thing—and, of course, there are other causes of fluctuation which have not been dealt with at all.

Secondly, in the case of many factory buildings, and much durable plant, there is a parallelism with ships as regards the existence of a stock very large in comparison with the annual amount of new construction and as regards the effective competitiveness of the product, and, therefore, of the buildings and plant themselves. It happens, however, in the case of many kinds of factories, that the working expenses, including cost of raw material, take up a considerably larger proportion of normal receipts than do profits, interest, and depreciation, so that prices of goods produced do not get depressed to the same extent as in the case of shipping freights by reason of the existence of a margin of excess capacity. In so far as that is the case, the tendency towards excessive fluctuation arising out of the cause under consideration is diminished and the influence of the weather on prices of raw materials becomes the dominant factor in causing fluctuations in prices of the finished article. The influence of excess or deficiency of durable plant exists, all the same, however, though not so easily observable as in the case of shipping.

In all these cases, in their varying degrees, when we take into account the constructive trades, there is a failure of competitive self-interest to tend towards maximum social interest, and that is a matter which probably becomes more, rather than less, serious in course of time; for the tendency is for durable goods to become more and more abundant and for a larger proportion of the labour of advanced countries to be absorbed in maintaining and increasing the stocks of such goods. It is true that if a time came in which maintenance alone absorbed all the available energy, the fluctuations would cease. It is the fact that the stocks are large and yet are being increased that results in violent fluctuations in annual construction.

The direction in which remedy is to be sought appears to be in some kind of control which would prevent the necessary reserve of durable capital to meet contingencies from depressing freights, etc., excessively below the paying level. To a considerable extent

such control is now exercised in shipowning by agreement in the case of regular lines, but the larger mass of tramp steamers are little influenced by them.

There are obvious dangers in monopolistic agreements, especially in those of an international character, but the considerations put forward above rather go to strengthen the argument for aiming at the control, rather than the prevention, of such agreements. It is conceivable that in the future it may be found best to license rings and other associations subject to sufficient public control to prevent the exploitation of the public, and to ensure that in industries involving the use of durable capital there is normally a margin of capacity capable of taking up any probable increase of demand within a short time, and that a policy of placing orders for construction as evenly as possible is pursued.

The advantages would be not only in saving of wastage of capital and specialised labour in the manner suggested above. There would be also a diminution of the causes operating to produce money and credit disturbances, less anxiety for the business men engaged in industries, and less need for the rare and highly paid instinct for judging market conditions.

There is, doubtless, much more to be said, both from the theoretical and from the practical point of view, on the question of remedies. The conclusions suggested above are put forward only tentatively as assisting towards theoretical examination of the problem. It is evident, for instance, that the bargaining between the various licensed trusts would be a delicate matter. So long as there was only a shipowning trust, it could be guided in its judgment as to placing of orders for building in advance of requirements by the method above suggested—*i.e.*, weighing the probable loss of interest and depreciation against the price reductions offered by the builders. If the latter also have a trust, however, and do not allow the excess of shipbuilding plant to force prices of construction to a low competitive level, the process of bargaining would present complexities. I submit, nevertheless, that if both trusts were controlled to the extent of not being allowed to make monopoly profits in the long run, they could adjust the productive processes so as to secure considerably greater regularity in the employment of labour, not only without increasing the waste from having idle capital, but with actual decrease of that waste. They would be at least free from the difficulty which compels competitive shipowners and shipbuilders to be wasteful.

It has been recognised, of course, for long that competition

is in various ways wasteful. What has been here pointed out is only another mode in which it is so, another amongst the many points to be considered in forming a judgment on the question whether the advantages outweigh the disadvantages.

It may have been noticed that the year has been taken as a unit of time in the figures given on p. 359—and it is not quite obvious that the argument is independent of the unit of time. I have spoken of durable goods as those which last for a length of time such that a large stock exists—large in relation to the quantity produced per annum. If T be the total stock in use of any commodity, and n the number of units of time which it lasts while in use, the production required to maintain that stock is T/n units per unit of time, and, for any given value of T, the fraction T/n may be made as small as we please by choosing a small unit of time. Of practically all goods it may be said that the stock existing at any moment is large in relation to the production per unit of time if the unit of time is small enough. It appears at first sight that the origin of the year as the unit is connected with the supposition that it is the length of the period of construction assumed. That, however, as pointed out in the footnote on p. 360, is not the case, and it does not appreciably matter for the purpose of the argument in this paper what is the period of construction. What does signify is that for durable goods, such as ships, the rate of increase of population and wealth is such that the increase in the stock of shipping required in a unit of time is of a magnitude comparable with the production which would be necessary to replace losses within that time. Taking any unit of time we like, let the demand for use of the stock T increase by T/m per unit of time. m is dependent on the rate of growth of population and wealth, and is not very dissimilar for different kinds of staple goods, but is not uniform all through time for any of them. The characteristic of durable goods is that the ratio of T/m to T/n is large in proportion to the durability, for it is equal to n/m.

The total production per unit of time is $T/n+T/m$. T/n is comparatively steady, but T/m varies irregularly. For non-durable goods, however, T/m is much smaller than T/n, and its variability is, therefore, comparatively unimportant.

A few words may be added as to the influence of the "period of gestation." Suppose we have a product for which that period is five years, and which is consumed within one year. The production for 1905 must have been ordered in 1900, and that makes, of course, a difficulty in forecasting the requirements accurately.

If an accurate forecast can be made, the orders can be placed so as to produce the right amount in 1905. If, owing to irregularity in the growth of demand, that would mean placing orders in 1900 for less than the full capacity of the producers, a concession in price may be offered, and the question would arise whether it would be worth while to anticipate some of the requirements of 1906 or 1907. There would be the same difficulty under competition as in the case of durable goods in having a margin to cover contingencies and smoothing out the placing of orders. The difference is simply in the magnitude of the problem. There is no reason to suppose that placing orders so as just to meet the irregular growth of demand would involve any particularly heavy fluctuations in production in the case of non-durable goods—only a few per cent. more or less in one year as compared with another.

What is more important, however, in the case of goods having a long period of gestation is that failure to time the placing of orders exactly to suit demand would be increased. This would presumably involve the occurrence of greater discrepancies between supply and demand and greater fluctuations in prices than would occur otherwise, and possibly, though by no means certainly, that would lead to irregularity in the placing of orders. It is to be observed, however, that the motive of self-interest would always be at work in the direction of checking that kind of irregularity. Those who were guided by good judgment and past experience would profit by refusing to be guided too much by the temporary price of the product, knowing that what would matter, in regard to orders placed now, would be the price ruling five years hence. There is, therefore, a radical difference between the causes of irregularity in production arising in this way, and those affecting the production of durable goods, because in the latter case sound judgment combined with self-interest does not make for regularity of production.

C. F. BICKERDIKE

A SEVENTEENTH-CENTURY LABOUR EXCHANGE.

It is commonly said that the first general Labour Exchanges in this country were those established by Mr. N. L. Cohen at Egham in February, 1885, and by the Rev. W. Tozer at Ipswich a few months later. Both of these institutions did useful pioneer work, and thus contributed to the modern development of Labour Exchanges. As a matter of history, however, it is clear that neither can claim to have been first in the field. They were both preceded, more than two hundred and fifty years ago, by the "Office of Addresses and Encounters," set up by Henry Robinson "in *Thread-needle-Street*, over against the Castle Tavern, close to the Old Exchange, in LONDON."

Robinson was a man of some mark in the commercial life and the public controversies of his time. After an Oxford education (at St. John's College), he went into business; was a merchant in London; claimed to control the Post Office, and subsequently tendered for the farm of the posts, inland and foreign; appeared in the public service as comptroller for the sale of King's lands in 1653; and died probably in 1664, at the age of about 60. His commercial and official work, however, occupied but a small part of his energies. According to his Life in the *National Dictionary of Biography*, from which the foregoing details are taken, "Robinson's literary activity was remarkable, both in quality and extent. He was, perhaps, the first Englishman to enunciate with clearness the principle of liberty of conscience; he propounded elaborate schemes of legal reform, and his writings on trade are even now deserving of careful attention." In addition to the pamphlet described below, and other works on economic subjects, his writings include many polemical tracts against religious or political doctrines advanced by William Prynne, schemes of legal and judicial reform, and a proposal for freeing the English captives in Algiers, while in the last year of his life he is found petitioning for a patent for quenching fire and preserving ships in war. Clearly he had the inventor's brain, and one of his inventions—

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the Office of Addresses and Encounters—is peculiarly worthy of notice at the present time.

The establishment and objects of this institution were announced by Robinson in a pamphlet, published in 1650 under a title which is sufficiently descriptive to be worth setting out in full:—

The office of
ADRESSES
and
ENCOUNTERS
where all people of each Rancke and Quality may receive direction and advice for the most cheap and speedy way of attaining whatsoever they can lawfully desire
OR
The only course for poor people to get speedy employment, and to keep others from approaching poverty, for want
of EMPLOYMENT
To the multiplying of Trade, the advancement of Navigation, and establishing this famous City of LONDON in a more plentifull and flourishing condition than ever, as is earnestly desired, and shall be diligently
endeavoured by a Wel-
-willer of Hers—
HENRY ROBINSON.

As may be seen from this title, and as will appear again later, the Office of Addresses and Encounters was not confined to Labour Exchange work, which formed but one among a dozen or more of its functions. This item, however, receives predominant attention in the pamphlet:—

We find by Experience that multitudes of people, of all sorts, both Handicrafts, Artificers, manufactors, and others, are brought to poverty and beggery, because they doe not timely meet with any one to Set and continue them at Worke; And yet at the very same time, we likewise meete with multitudes of others, both merchants and shop-keepers of all callings, that cannot furnish their customers so cheape and speedily as were to be desired, because either they cannot presently get Work-folk, or else not at such cheap rates as to make a benefit thereof.

Now if such as have occasion or desire to set poor people on work: and poor people that desire continually to be kept at work; knew where to find one another at all times, they should never be necessitated to be idle; And being all week long set at work, they would earn more at a low rate, than in working 3. or 4. or 5. dayes

in a weeke only, at a higher rate, and so might afford their workmanship cheaper unto the merchants and shop-keepers, and they unto their customers consequently, which would be the life of Trade.

There is a very modern ring about this to anyone at all familiar with the literature of Labour Exchanges, either in this country or elsewhere. The last sentence in particular, as to the relative costliness of casual labour, anticipates almost verbally much twentieth-century argument. Robinson, indeed, looked upon the organisation of the labour market, as of all other markets, mainly as a mode of adding to the efficiency of industry and commerce, of increasing and cheapening production by reducing waste.

He was, however, very far from being blind to other points of view. He advocated Labour Exchange organisation in the interests of the workman also, and as a means of preventing destitution :—

The only way to prevent the multiplying of poor people is forthwith to give all opportunities, and improve all Advantages, that may be, unto all manner of people, to relieve themselves by their own labour and industry, without loss of time, or expence of money; the rather in that wee finde a great cause of beating down the price of poore men's labour, is, because such poore people are not acquainted with other people's wants besides their own; they have hitherto had no means to come to the speedy knowledge of such persons as stand as much in neede of poore men's labours, as the poor people do of rich men's moneyes; and therefore the poore men's seeking is rather a begging than a bargaining for employment; which rich men take advantage of, to the daily more and more undervaluing poore men's paines, and labours. But when the rich, as well as the poore men's occasions, and necessities, are equally knowne to one another, the poor will be able to treat with more reputation, and get more indifferent and advantagious prices, both for their worke-manship and labour.

There is here a striking recognition of the fact that the unorganised search for employment—the hawking of labour from door to door—not only wastes the workman's time and strength, but puts him at an economic disadvantage, and lowers wages, because it prevents the good wages that some employers would be willing to offer from being brought into direct competition with the lower wages offered by others. Nothing, again, could well be more modern than the phrase as to a begging and a bargaining for employment.

Robinson proceeds accordingly to announce the establishment of the Office of Addresses and Encounters in Threadneedle Street,

and to invite workpeople who now "spend much time in running up and down, from one place to another to seeke employment, and sell their worke," to come in lieu thereof to the office. They shall then "either be directed forthwith to one that wants such Artificers, manufactors, Labourers, and others, or their worke-manship; or if they but leave their names, with the place of their abode, what employment they desire, and upon what termes, in a Ticket at this Office, so soon as their turne comes they shall have notice of it; and till then they may keep at home, and employ themselves in such manner, as may be most to their own benefit and improvement."

It is tempting to see in the last word here an anticipation of the doctrine of the Minority Report of the Poor Law Commission, that periods of unemployment should be used to "improve" the workman, by physical and mental training. But that was probably beyond the vision even of Henry Robinson. It is more pertinent to point out that the particulars required by him to be entered on the "Ticket" are much the same as those required for registration under the Labour Exchanges Act, 1909, except that they do not include age or last employment, and do include the terms of work desired by the applicant. The last point is one that was omitted in framing the Labour Exchange Regulation, only after a good deal of consideration, and is included at some German Exchanges.

The Office was to be open every day—except the Lord's day—from eight in the morning till noon, and again from two in the afternoon till six. For "the Poore" its services were gratuitous. All others were to pay "six pence a time, or entry, so often as their turn is served."

As has been stated above, the Office was far more than a mere Labour Exchange. Out of twenty-two separate paragraphs setting out its various functions, three only are concerned with the bringing together of would-be employers and employees. These are as follows:—

6. To entertaine, or to be entertained, Professors of the Liberall Sciences, and Languages, Chaplains, Tutors, School-masters, Gentlemen-Ushers, Stewards, Butlers, Cookes, Barbers, Serving-men, or as Factors, Agents, or as Journeymen of any manner of occupations.

7. To entertaine, or to be entertained, Waiting Gentlewomen, School-mistresses, Nurse-keepers, Nurses, Chamber-maids, Darie-maids, Cooke-maids, or for any other kind of lawful services.

* * * * * *

12. To employ or be employed as Captains, Masters of Ships, masters' mates, Factors, Pursers, Boatswains, Surgeons, Gunners, Cookes, Pilots or common marriners.

It will be seen that on the Labour Exchange side the activities of the Office were by no means limited to providing manual workmen, and, further, that it dealt also with two large classes—indoor domestic servants and seamen—with which the modern Labour Exchanges in the United Kingdom do not deal.

The remaining nineteen paragraphs enumerating the activities of the Office show it as a mart or registration centre, intended to bring persons together for every sort of common purpose. The purposes enumerated include all manner of buying and selling, of borrowing and lending, of leasing and hiring, of chartering ships and of Stock Exchange transactions. The Office was to be also a second-hand clothes mart; a charity organisation society; a tourist and travel register; a lost property office; a matrimonial agency; and an emigration bureau. Some of these items of work are worth setting out in Robinson's own words :—

11. To bee sent, or send others abroad, into any of our Plantations.

* * * * * *

17. Here, whosoever desires to travell, or make a Journey, may give in his name before hand, and have notice what other company there is, for any of the Principall Roades, or Townes, of England, or any Forreign parts.

* * * * * *

19. Here may resort such poore people as desire reliefe, and to know what meanes and Legacies are given to pious uses; and such as wood willingly meet with fit objects of their charity and Bounty.

20. Such as desire to dispose of themselves or friends in marriage, may here likewise be informed, what encounters there are to be had, both of Persons and Portions.

As regards the last paragraph, it may be noted that the opening of a matrimonial agency was part of the "Darkest England" scheme of social reform as originally framed by General Booth for the Salvation Army.

Even these twenty-two paragraphs did not exhaust all the possible uses of the Office. Further suggestions were invited :—

In brief, the use of this Register may extend as far as humane necessity, which is little lesse than infinite; and therefore,

If any person, sollicitous of publique good, shall suggest anything else, which this Office may particularly undertake, either for relief

of the Poore, or accommodation of the Rich, it shall be gladly entertained, and the Propounder reckoned amongst the Benefactors of this Office.

Robinson had no mean opinion of his invention. He looked upon it as one of the greatest of social reforms. The spectacle of a nation without an Office of Addresses and Encounters roused him to pitying indignation :—

Oh the stupidity of this Nation, if not of Man-kind, that boastes itself to be constituted an absolute Tyrant over the whole creation: certainly it must be notoriously degenerated, if not besotted, that is become so unable to help it self: The very bruit beasts apprehend better their own Advantages; and are more dexterous at the practice of them.

The situation, however, is not without hope :—

Now that Man-Kind, might no longer be thought constituted, in a more unhappy condition, than the Irrational and Bruitish Creatures, after a Revolution of so many Ages and thousands of yeares; It hath pleased God, in these later times to make some men Instruments of very great discoveries, whereby the state of man-kind hath already, and may be much more meliorated; Amongst which, the Invention of an Office, or Register of Addresses and Encounters, will not be found one of the least.

So, in 1650, over against the Castle Tavern in Threadneedle Street, the Office of Addresses and Encounters—the first Labour Exchange—opened its doors to the public. How long it continued open I have been unable to discover. Those were troublous times. But at least Henry Robinson deserves the credit of having seen at a comparatively early date the importance of organised means of communication in commercial and industrial life, and of having anticipated by two and a half centuries some of the ideas and discoveries of the last twenty years.

W. H. BEVERIDGE

FLUCTUATIONS IN THE WOOLLEN AND WORSTED INDUSTRIES OF THE WEST RIDING.

For some time past inquiry has been proceeding as to the various conditions influencing the *personnel* of the woollen and worsted industries of the West Riding of Yorkshire. This has already shown beyond doubt that there is abundant scope both as regards matter and method.[1] The English manufacture of worsted yarns and cloth is practically concentrated in the south-western portions of the West Riding; this is also largely the case with the woollen industry, particularly heavy woollens and mixtures, allowing, of course, for the fine woollen cloths of the Stroud district, the flannels of West and Central Wales, of Scotch and Irish rural areas, and of the Rochdale district, and the tweeds of Scotland.

The scope for inquiry in these industries of the West Riding is obviously ample; for within the comparatively small portion of the West Riding serving a world-wide market there have become evident some of the most pressing and typical of modern industrial developments, with their attendant economic and social problems.

Some of these are as follows:—The difficult question as to the relative earnings of males and females on similar, if not identical, work; the earnings and hours of juveniles; the need for, and effect of, the application of the Trade Boards Act; the complicated problems of the rapidly developing wholesale clothing manufacture; the employment of married women and half-timers;

[1] The inquiry has been carried out under the auspices of the Departments of Economics and Textile Industry at the Huddersfield Technical College, by a Research Seminar comprising ex-members of a W. E. A. Tutorial Class, workers engaged in the trades of the district, and some advanced students of the departments concerned. The *personnel* of the Seminar has proved to be well suited for undertaking such inquiry; it suggests a method that might be of much use for social and economic investigation. The Research Seminar would also appear a means of solving the problem of the Tutorial Class—and after. For an increasing number of ex-members are often anxious to find means of retaining old associations and of using the knowledge gained for practical purposes quite apart from its value as an end in itself.

the peculiar difficulty of organising Trade Unions among the general woollen and worsted operatives—outside specialised sections like dyers, beamers, healders, overlookers, wool-sorters; the formation of huge industrial combinations and large, independent, self-contained firms by the side of the strongly persisting small firm on an independent, dependent, or commission basis; the increasing specialisation of industrial function as between areas and organisations; the possibilities of machinery in relation to labour for good or ill, and the problem of adjusting systems of payment by time or piece to new methods of production; the attempts to apply co-partnership and co-operative methods to production; the casual labour problems of the wool-combing industry; and the fluctuations of employment with the general course of trade, and the particular conditions of an industry working a year or so in advance for a market difficult to gauge through its extent and complexity.

It may be of interest to indicate here some general results of the inquiry into the last-mentioned problem. An essential preliminary is to indicate some of the general economic features of the woollen and worsted industries of the West Riding.

In 1911 there were some 95,531 males and 127,148 females engaged in woollen and worsted manufacture in England and Wales (*i.e.*, apart from hosiery and carpet workers, etc.). Of the females 99,642 were unmarried, 22,635 married, and 4,871 widowed. The great majority, over two-thirds, of the total employees are engaged in the West Riding, where these and allied trades are the staple sources of employment. Of both male and female employees the majority are between 18 and 30 years of age. The total number of employees has been decreasing of late, the females and workers 18 to 30 years of age remaining, however, in the majority. A satisfactory feature has been a continued decline in the number of half-timers, the majority of whom are now engaged in spinning in Halifax and Bradford. A large section of the female workers are married, engaged in more or less regular work as weavers, combers, and spinners. Halifax is notoriously a large user of juvenile and female labour in these industries. Huddersfield district has the largest proportion of adult male and female weavers, and its standards of labour are highest.

In order to interpret fully the course of trade fluctuations in the woollen and worsted industries, it is necessary to indicate the extreme specialisation that has arisen between the various areas and the sections and processes within them. Thus Huddersfield district

produces fancy woollen and worsted cloths of the best qualities; the Colne and Holme Valleys produce low and medium priced tweeds for a world-wide market; Dewsbury, Batley, and Morley are centres for the "heavy woollen" production, a large amount of the raw materials being "pulled" from rags in the form of shoddy, mungo, etc. Dewsbury is the centre whither comes the world's rags. Bradford is the centre for wool-combing and the spinning of worsted yarns for hosiery and weaving firms the world over; it has also a large trade in the production of plain and fancy dress goods of variety and novelty, plain coatings for men, and fancy worsted cloths. In Halifax the staple is the spinning of worsted yarns and a fair production of plain coatings. Leeds has given up its broad-cloth trade for a wide range of general productions. Interesting specialisation is seen in the production of fustians, corduroys, livery cloth, waistcoatings, in particular areas.

The total area covered by the industries in the West Riding is comparatively small, from Wakefield on the east to Keighley on the west, Guiseley and Holmfirth being roughly the northern and southern limits. Just as cotton-spinning overlaps into some western centres of the West Riding, so there is some woollen manufacture and a little worsted in Lancashire, mainly flannels and its variants, as at Rochdale, Saddleworth, and Greenfield.

The woollen and worsted firms of the West Riding stand unrivalled for "clothing the world's multitudes with any kind of cloth at any price," using as its raw materials wool, cotton, pulled rags, mohair, or "any fibre long enough to have two ends."

The internal organisation of the industries, both as between forms and processes, has an important bearing upon the course of trade within them. Great changes have taken place latterly, particularly in the worsteds. Formerly, both woollen and worsted mills were "self-contained" for all processes requisite, which condition prevails very considerably in woollen mills. But there is an increasing tendency towards specialisation, particularly in the manufacture of worsteds, in the manufacturing of yarns, cloths, dyeing, and finishing branches. Combinations such as the Bradford Dyers' Association, The Woolcombers, Ltd., are significant, but there is the greatest variety in the size of the unit firms, in their organisation of business, and in their processes. In woollen manufacture firms usually go through all processes or leave sorting, scouring, dyeing, and finishing to specialising firms; in worsteds some of the larger firms go through, but as a rule sorting, scouring, and combing, spinning, and weaving, dyeing and finishing, represent three sectional processes taken over by groups of specialising

firms. There are, of course, several intermediate forms of grouping, but the influence upon the course of trade within the unit firms is evident in the various cases.

The foregoing indications of some economic features of these industries make intelligible and possible some account of the general course of trade within them. The fluctuations of employment fall roughly into three classes, varying in origin and effects with the different areas and units of production and sections of employment indicated above. Exact statement is impossible, but the following features may be taken as generally typical.

(*a*) There is the regular cyclical fluctuation of trade within the industries from boom to depression, which is said to be felt very distinctly. Thus the close of 1913 opened a period of some temporary depression following about half-a-dozen years of greatest prosperity. Apart from the general causes governing the course of trade in this respect, special causes have been operative in the woollen and worsted industries. Thus the recent reduction of the American tariffs has given some impetus to their trade, particularly in the Huddersfield district, whereas the McKinley tariff, by closing up many lucrative markets, inaugurated a considerable depression. The Boer, Russo-Japanese, and Balkan wars, with their special demands for military clothing; the "hobble" skirt, with its reduced amount of dress fabric; new popular lines such as "reversible blanket coats," and garberdines; the growing preference for cheaper suits replaced, frequently, instead of expensive suits to wear long; the volume of tropical orders; the prevailing fashions, are spoken of as factors influencing the general course of trade. It is also asserted that the course of wool prices can exercise important influence on the current volume of manufacturing operations at different times.

(*b*) The seasonal fluctuations comprise a second class, but it seems clear that their course may be modified like that of cyclical fluctuations in the case of particular firms by special factors. A boom period in trade may override considerably the normal course of seasonal fluctuation, particularly for firms with popular lines, just as general depression aggravates the falling-off in trade. A special class of fabrics hit upon happily by a firm's designers may considerably modify seasonal fluctuation, and sometimes even cyclical depression. Subject to qualification as to the particular year and firm, the course of seasonal trade can usually be traced with considerable clearness, and especially in certain primary sections in times of depressed general trade.

In wool-sorting and wool-combing the fluctuations are partly seasonal and partly casual, particularly the wool-combing in mills working on commission, when the amount of work coming along after the wool sales is often a doubtful quantity up to the last moment. The wool-sorters attached to manufacturing mills are said to work more regularly than those in sheds specialising on wool-sorting. The fact that supplies come from all parts of the world, the decline of careful sorting, and increase in the grading of wools before dispatch to England are said to be narrowing the area over which the fluctuations are felt.

The notoriously casual nature of wool-combing must be referred to later, together with the difficult conditions under which the work is carried on; it has been a fruitful source of controversy in Bradford areas. The normal rates for the work do not provide a margin for provision against slack time as in the more organised and skilled trade of wool-sorting. There are sections such as the designing of fabrics, overlooking, pattern-weaving, the mill mechanics, master dyers, where a standing wage is the rule.

In common with many trades, it is said that the finishing sections of the trade tend to be steadier, in that they are often kept on busy after a slackening in the weaving sections, in order to overtake production of the looms. In winter bad light may make delicate work like that of the cloth-menders somewhat irregular. In most mills a period of slack trade in the winter months involves the arrangement of hours so that daylight may be utilised most fully and the cost of artificial light kept down.

The differences between the organisation of firms in the worsted trade, as compared with those making woollens, really account for some important differences in the course of trade fluctuation in the spinning of worsteds, as compared with that of woollens. Since most woollen firms spin their own yarns, the course of employment in their wool-spinning sections follows that of weaving almost directly, for the latter determines the main demand for yarns apart from those sold for other uses, as for hosiery firms, export, etc. Worsted spinning runs somewhat less directly than woollen, according to the course of weaving operations, for considerable quantities of worsted yarns are produced for other use, as hosiery, export, and stock in some staple cases, or by advance contracts for subsequent deliveries. Where weaving firms buy their yarns, the incidence of unfavourable fluctuation comes first upon firms making yarns on commission or for open market. Worsted weaving firms that can produce most or part of their yarns cut off outside supply and meet the reduced demand

from their own spindles. Hence the incidence of fluctuation in this section will be considerably determined by the organisation of processes among the unit firms indicated earlier.

The activity of the weaving sections depends, in turn, on the demand for cloths. Reviewed broadly (as must needs be the case in view of endless variety of conditions as between particular firms), the general run of business in the weaving sections is said to be as follows, allowing, of course, for the modifying influence of cyclical trade, a run of good designs, and conditions in particular firms or years. From about the end of August until December patterns are being prepared for the winter of the next year, and ranges of cloth got ready for sending out to merchants and traders. When a firm has few repeat orders to weave off on designs sent out earlier, pattern-weaving often fills a gap which may occur in the regular trade and take over some slack power-loom weavers. With the opening up of the year comes the weaving of repeat orders for spring goods, the earlier orders for winter of the current year developing with March and the "intermediate" trade for tropical orders. Then comes preparation of patterns for spring and summer of the next year, and up to July general orders and winter repeats are dealt with. The dislocation of the pattern changing periods, July–August and December–January, is said to produce a slackening, especially in lean years. Spring pieces and patterns for the next winter are put through the looms, and a slack period sets in with the end of the year.

Generalisation on the above is very treacherous, because the conditions of firms, years, and areas may vary considerably; but the tendency towards seasonal fluctuations is more or less regular all round, especially in lean years and where products are much influenced by social convention and climatic conditions. Thus it is said that a mild winter shows itself in slackness in the production of overcoatings, for the merchants are not placing orders to replenish their stocks. The merchants, with their important and strongly established functions, represent the medium through which the influence of social, climatic, and general market conditions are transferred to the producing sections, and quickly, too, in view of the peculiar and interesting fact that the latter work is so far in advance of the market sales. By their interpretation of conditions, forecasts, discounting of possibilities, arranging of orders, the merchants probably break the incidence of seasonal fluctuation considerably to the gain of producers in the long run. This is a peculiar feature of the industries.

(*c*) A third set of fluctuations may be classed as more strictly

of a "casual" character. It has been seen already that in commission wool-combing slackness, sometimes perhaps in commission wool-sorting also, may belong to this third class in some respects, although grouped above as arising partly from the seasonal flow of work according to the wool clips and sales; that is, from the point of view of origin, rather than nature and effects. Overlapping in all three classifications is clearly inevitable. The course of employment in wool-combing may at times be extremely casual, the combers not knowing the chances of work until they come to the sheds. There are slack day periods for weavers and those fitting looms between jobs or orders, occurring at different times, which are casual, or rather, perhaps, occasional in nature. It seems probable that, especially in lean years, there is a good deal of stoppage of this character passing unnoticed or difficult to gauge. Although not "unemployed," this occasional "playing" of the operative may often have considerable effect upon the average of earnings.

Accurate estimates of the volume of the fluctuations of any kind are practically impossible, owing to the absence of satisfactory returns and the difficulty of obtaining them in view of the lack of trade organisations. It is said that three to four nights a week may be the average for a night comber,[1] and that commission wool sorting may give a couple of months slack time each year. The more regular finishing sections probably make the full year, save for a few weeks slack time. Instances have been given of short time in some firms for many months on end in the manufacturing sections when trade is lean.

In most sections short time is the method of working off the fluctuation, but in bad trade workers may be stopped. Dismissal is, however, avoided by the firms in most cases, especially with good operatives, who are valuable assets. The old associations, almost "patriarchal relations," existing between many woollen and worsted firms and their employees always throw the balance in favour of short time. During the wonderful prosperity of these industries for the last five years or so, up to the close of 1913, there has been a remarkable absence of slack work, save for a few weeks between the seasons or at changing of patterns. Of course, the stoppages for the "feasts" or wakes are normal incidents; but in several districts an effort is being made to arrange them as a systematic general holiday, so as to avoid irregular stoppage and dislocation.

Except with the higher classes of fabrics, night work is usually

[1] Cf. *The Woollen and Worsted Industries* (Clapham), pp. 192–3.

the resource in busy periods, females being sometimes utilised to take the place of males drafted to night work at extra rates. In wool-combing it is the regular thing for males to run the night shift and females the day shift. There seems to be a considerable "reserve" of female workers among married women formerly engaged in mills, and other females ready to increase their spending power. In the heavy and fancy woollens districts, as at Dewsbury, Batley, and the Colne Valley, night work becomes a regular feature in busy times, the illuminated factories presenting a fascinating sight at night-time. Reversion to the day shift alone is taken as an indication of slackness coming along. This comes first on the night workers, then the "reserves" go, and finally there is short time for the best and regular hands. In some of the better organised sections, such as worsted weavers, healders, and twisters, the employees often arrange among themselves to "play" for a day or more in turn in order to work off a slack period. In spinning, the females and juvenile workers seem to bear the brunt of slack times. General unskilled workers about the mills pass between the mills and general labour, according to the state of trade.

Unfortunately, the general operatives are not well organised, apart from special sections such as wool-sorters, overlookers, dye-house workers, healders, and twisters, so that existing statistics cannot afford any satisfactory estimates exactly indicating the position. The average rates of earning are not high,[1] and are only slowly tending upwards. With a low proportion of piecework, nearly 28 per cent. less than the 65 per cent. of the cotton industry, the course of employment has an important influence upon the average earnings of the operatives. It is certainly a most significant tribute to the traditional thrift and steadiness of the West Riding operatives that such a high standard of life and work is maintained, and the incidence of whatever fluctuations that may occur borne and passed on so smoothly.

S. BRIERLEY
G. R. CARTER

[1] *Cf.* tables prepared by the U.S. Tariff Board for 1911-12 and published by them.

RURAL FACTORIES IN WALES.

In the Welsh flannel trade we have an instance of an industry which, during the course of a century, has advanced from the domestic form through the various intermediate phases to large-scale manufacture, and having achieved but scant success in the latter stage has returned to a more modest scale of production, which harmonises with local needs and circumstances, and is attended with a measure of prosperity sufficient to justify not only its continuance, but even its extension.

At the close of the eighteenth century practically all Welsh flannel was made in the farm-houses and cottages dotted over the hill-sides of Central Wales. The wool was grown in the neighbourhood, spun by women and children on a primitive wheel, and woven on an antiquated loom in a lean-to outhouse. After the piece had been scoured in one of the many fulling-mills, it was tentered in a neighbouring rack-field, and then carried on horseback to Welshpool market; unless the weaver wished to deal directly with the consumer, in which case he crossed the English border and hawked it from house to house and village to village until it was all disposed of.

Early in the nineteenth century spinning and carding by water-power became general, and the increased output of yarn was followed by a corresponding increase in the number of looms employed. Weavers, who still worked by hand, were now congregated in factories capable of accommodating from five to fifty looms. Although there was scarcely a considerable stream in Montgomeryshire or Merioneth on which no factory was to be found, the majority of them were aggregated in the little towns in the valleys of the Severn and the Dee.

In 1832 the flannel-market was removed from Welshpool to Newtown, which now became the recognised centre of the industry. About the year 1850, power looms were introduced and large factories began to take the places of the smaller ones, while the small masters were ousted by mill-owners. Meanwhile the

market was losing its importance, and in the early 'eighties it was discontinued.

Under the new conditions the industry was organised on the same lines as in the North of England; with modern machinery and a detailed sub-division of processes. The Welsh mills competed with the English at every point; in the purchase of raw materials, in the sale of their products, and in the hiring of their workpeople, many of whom were brought into the Principality from outside. Such local advantages as may have existed in the shape of water-power, native wool, or particular markets were not taken advantage of, and a succession of disasters during the last quarter of the nineteenth century has taught the Welsh manufacturers that if they wish to retain any portion of the trade it must be carried on along the lines adapted to the conditions of the locality.

Twenty-five years ago the English and foreign consumers of Welsh flannel were supplied almost exclusively by Newtown, Llanidloes, Llangollen, and Holywell. At present the manufacture in these towns has sunk to insignificant dimensions; partly on account of the closing of mills, partly because it has been found more profitable to produce other woollen goods—tweeds, blankets, and quilts.

The Welsh flannel industry, however, is by no means extinct. It is still carried on in the counties of Carnarvon, Merioneth, Cardigan, and Carmarthen, and in the neighbourhood of Swansea. In the valleys of the Teify and the Towey, where the manufacturers are energetic and enterprising, the trade is particularly active and prosperous.

This woollen industry of South Wales is of quite modern development. At the beginning of the nineteenth century there was no weaving there, and the only spinning carried on was that of stocking yarn. When carding and spinning mills were introduced, this yarn was produced in large quantities, and the women of the district became very expert knitters. The stockings they made were carried by pedlars to the colliery districts of Glamorgan and Monmouth, where they found a ready market.

A plentiful supply of yarn attracted weavers, either from other districts or other occupations. These bought the yarn from the spinning mills and carried on weaving in their own cottages.

When power-weaving was introduced, water was used for working the looms, for the accommodation of which it was found necessary to enlarge many of the existing mills and to erect new ones. Dr. J. H. Clapham, writing in 1907, tells us that in the

four counties of Cardigan, Pembroke, Carmarthen, and Glamorgan, there were in 1904 one hundred and six mills which did nothing but spin. He gives this as a reason for supposing that there must still exist a great deal of domestic weaving in this part of Wales. We have, however, been able to discover only one factory, and, that a very small one, where no weaving is carried on. A few hand weavers are still to be found who obtain their yarn from the mills, but the work done in this way is at present insignificant.

The use of water power for weaving has been attended with greater success in South Wales than in Montgomeryshire. The mills are rarely to be found on the rivers, but rather on the side streams. The fall of the water in these is considerable, and so the use of "overshot" or "breast" wheels is general. Such wheels can be more easily regulated than the undershot wheels, which are the only ones possible on a slowly-running stream.

The organisation of what for shortness we may call the country trade is very different from that which ruled the industry in Newtown and the other manufacturing towns of North Wales. Instead of being aggregated in groups in a small town, the mills are situated on the outskirts of a village or in a secluded glen a mile or two distant. A typical country mill is to be found in a wooded hollow, beside a stream ten or twelve feet wide. A short distance up this stream a weir is built across it to divert the water along a channel which leads it to the wheel. The building is squarely built of stone; contains three storeys, and is capable of housing half-a-dozen looms with the requisite spinning and carding machinery. It has a clean appearance, and there is no tall chimney or unsightly heap of coal and cinders. On a neighbouring slope with a southern aspect a number of wooden frames are erected, along which the products of the looms are tentered to be dried by the sun and wind. Closely adjoining, or attached to the mill, is the dwelling of the owner; while at varying distances along the sides of the lane stand the whitewashed cottages of the workpeople. The owner usually occupies a few acres of land on which he raises vegetables and dairy produce. Here he also grazes a pony which he keeps for the purpose of conveying his flannels to the railway station or the neighbouring fairs.

The smaller mills have the advantage of the personal supervision and labour of their owners, and even when they have been extended so as to employ a large number of hands, the interest taken by those who have supplied the capital is in no way

diminished. Although the water supply is here more steady than in most districts, irregularities are bound to occur; so the more enterprising manufacturers have recently introduced oil-driven engines for the smaller mills and electric motors for the larger. Steam is rarely, if ever, employed, as the distance over which coal has to be conveyed, though not very great, is sufficient to make its use expensive.

The methods adopted by the manufacturers of South Wales for the disposal of their goods is perhaps the most characteristic feature of the industry in this district. They do not enter into direct competition with the large-scale manufacturers of Yorkshire, but cater for a special market nearer home, and by so doing have ensured for themselves a steady trade. The coal and iron districts of South Wales contain a large and prosperous industrial population engaged in occupations necessitating the wearing of undergarments capable of enduring unlimited washing. The manufacturers not only produce the required article, but by personally attending the markets and fairs held periodically in the principal towns of the district, take it almost to the doors of their customers.

In many of these towns a portion of the public market-hall is set aside for the use of flannel manufacturers, who rent stalls whereon they periodically expose their wares for sale. In other cases they erect booths in the market places; while many of the smaller manufacturers vend their goods from covered carts in which they convey them to the various markets and fairs of the neighbourhood.

The practice of making up flannels and allied fabrics into garments at, or in connection with, the factories is another feature of the Welsh woollen industry deserving of notice. In the Teify district much of the produce of the mills is disposed of in this manner, and the practice is growing. In a small town near Cardigan a company has recently been formed with the object of making clothing from materials obtained from the local mills, in many of which the members are interested. About thirty persons are employed, and the business is prosperous and increasing.

Although the existing trade in Carnarvon and Merioneth is not so important as that in South-west Wales, it must not be overlooked.

The text-books of the present day continue to inform their readers that Dolgelly is still one of the centres of the Welsh flannel industry. Investigation on the spot, however, served to

show this to be a complete mistake. The woollen industry of that town is confined to one water mill, bearing the imposing name of "Factory Fawr" (The Great Factory). The owner is the only person employed, and his time is not wholly taken up in the business. Within a radius of ten miles no other weaver is to be found, and the woollen trade in Merioneth is to-day represented by five or six small mills, employing in all about two dozen persons, one half of whom are engaged in a prosperous little business in Bala.

The industry in Carnarvonshire is represented by eight or nine mills, employing altogether about a hundred hands. These mills vary considerably in size; the smallest giving work to five, and the largest to just under thirty operatives. The motive power is water, and as the supply is constant and the current strong, there is little interruption of the work through the machinery standing idle. Hand-loom weaving is practically extinct, although twenty years ago a fair amount was done.

The organisation of the trade is similar to that in South Wales, but the stimulus given in the latter case by the neighbourhood of a large coal and iron district is wanting in the case of Carnarvonshire. To a certain extent it is supplied by the slate quarries for which the district is famous, and the better class of workmen are good customers to the manufacturers. Several of the manufacturers attend local markets and dispose of their goods directly to their customers; while many of them have a shop connected with their mill or their dwelling, where their goods are retailed to the people of the neighbourhood.

The practice of the Welsh farmers of having some of their own wool spun and woven in the local mills for their own use has prevailed in many parts of Wales since the days of domestic weaving. During the last few years this practice has undergone a modification. The farmer takes, as formerly, so many pounds of wool to the manufacturer; but instead of having them spun and woven into so many yards of flannel or cloth, he is shown a number of patterns from which he makes a selection. The manufacturer places the wool with the rest of his stock and cuts off and hands to the farmer the required amount of cloth from a full-length piece.

On the whole, we may say that the Welsh flannel trade gives employment to a much smaller number of persons than it did thirty years ago. Under the existing organisation there appears little prospect of any considerable revival of the industry. Still it would be a mistake to suppose that the small manufactories

of the Principality are relics of a decaying industry, waiting their time to drop out of existence. They are all paying concerns, and many of them have recently been extended and fitted up with modern appliances.

As the tendency of present-day production is more and more in the direction of centralisation, it is both interesting and instructive to try to ascertain what are the special circumstances which permit small manufactories to exist and thrive in out-of-the-way places in Wales.

The first circumstance that occurs to one's mind is the cheapness of the power by which the machinery in these small mills is driven. When a sufficient and regular supply of falling water is at hand, the saving is equal to the cost of the coal which would be required were steam-power used.

The next consideration is the cheapness of labour in country places as compared with large towns. The lower cost of living, and the saving of time and money resulting from the possibility of living near the place of employment, combine to compensate for the lower cash payments.

Greater than the saving in wages and the saving in the cost of power is the economy which, under favourable circumstances, small producers experience in the department of marketing. In this respect the country manufacturers of Wales, particularly of South Wales, are advantageously situated. They cater for a special market, which they find sufficiently near to their doors to attend to personally.

The cost of marketing manufactured goods is so great in proportion to the total cost, that its realisation is usually accompanied by an outburst of indignation on the part of the consumer. The blame is usually attributed to that somewhat indefinite class known as middlemen, whose services are often looked upon as unnecessary. But if the middleman were removed, the expenses of marketing would remain, and a little reflection will show that in the days when middlemen were unknown, and when the maker dealt directly with the consumer, the cost of marketing was no less than at present. The independent hand-loom weaver often spent the whole of the summer in a journey round the country, hawking those flannels which he was unable to dispose of in the vicinity of his home. Actual manufacturing occupied his time for nine months of the year, and marketing three months. The price of the article had to be such as compensated him for twelve months' labour; hence the cost of marketing was equal to one-third of the labour cost of manufacturing.

Modern drapers reckon to make a profit of 25 per cent. on their turnover, and to this must be added cost of carriage, salaries of commercial travellers, commissions of agents, and payments for advertisements, in order to estimate the total cost of marketing. The whole of this cost is not saved by the small manufacturer who disposes of his goods in the industrial centres of South Wales; but much of it undoubtedly is. His main item of expenditure is the time occupied in attending the various markets and fairs. Let us suppose that he attends a market once a fortnight, and that he is absent for this purpose forty days in the year. The proportion of his time taken up in marketing is thus about 12 per cent.; but as there are six persons engaged in the mill, the loss of time shared among all the producers is only 2 per cent. There are, of course, expenses of carriage, market dues, etc., to be taken into account, but the sum total is never very great.

The part played by sewing factories in promoting direct marketing has already been noticed, and the possibilities of saving to be expected from a further development of this branch of the trade may be estimated by comparing the prices in these factories with those in retail shops. By purchasing directly at the sewing factory, a shirt of pure Welsh flannel can be obtained for 4*s*. 6*d*.; the same garment exposed for sale in the shop windows of neighbouring seaside resorts is priced at 6*s*. 6*d*. The difference in price seems unreasonable, but it is probably no more than sufficient to make shopkeeping a paying business.

A hundred years ago country manufacturers sold the greater part of their goods to the inhabitants of the districts where they carried on their operations. Much business of this kind continued to be done in the hilly districts up to thirty years ago, when the introduction of cheap substitutes seriously interfered with it. As we have seen, some business is still done in this manner, and during recent years its scope has been widening. Among the members of the community many people are to be found who are more concerned in obtaining a durable article than in following the vagaries of fashion. For such people "homespun" has a particular fascination, and under modern conditions they have little difficulty in dealing directly with the manufacturer, even though his mill may be hundreds of miles away. The increased facilities for communication granted by the Post Office in the delivery of letters in remote country districts, the conveyance of parcels, the cheapening of telegrams, and the extension of the telephone system, have made it almost as easy to deal with the distant manufacturer as with the local shopkeeper.

Few, if any, of the mills at present suffer from a lack of cus-

tomers, and there is a temptation to supply them with imported goods of an inferior quality. Among the Welsh manufacturers of the present generation there appears to be no sign of yielding to this temptation. Doubtless in the majority of cases the sense of right is a sufficient restraint, and in other cases the remembrance of the havoc done to the trade by this species of dishonesty thirty or forty years ago prohibits its reintroduction. The owner of a mill with a large output, who looks to making a fortune in a few years, may deceive the public long enough to achieve his purpose; but the small millowner whose object is to obtain a steady livelihood, and who relies upon the steady goodwill of the same set of customers, cannot deviate from the paths of integrity without suffering the consequences of his wrong-doing.

J. SWAIN

SUGGESTIONS FOR AN INQUIRY INTO INDUSTRIAL FATIGUE.

SECTION F of the British Association appointed last year a Committee to inquire into the problem of Industrial Fatigue. The object of this article is to invite co-operation from those who may be in a position to collect data relevant to this question, and to suggest certain directions of research which may prove fruitful.

In respect of many conditions of industrial work we are, or have been until recently, profoundly ignorant as to their real nature and their effects, and this remark is pre-eminently true of the most universal phenomenon in industry—Industrial Fatigue. The existing chaos of legislative regulation of hours of work is hopelessly inconsistent in its inclusion or exclusion of adult males, in its distinctions between mines, textile and non-textile factories, laundries, men's workshops, &c., and in its overtime provisions; but more important than this inconsistency is the fact that the whole of the regulation is purely empirical in its origin, and, moreover, that any scientific judgment as to the suitability of any specific regulation is at the present moment impossible. The truth is that at present we have practically no scientifically ascertained and authentic knowledge as to the nature, causation, and effects of industrial fatigue; for though considerable work has been done on various aspects of fatigue, there has been no attempt to co-ordinate this knowledge and apply it to industry. Yet it is one of the "normal," ever-present factors of industry, and the need for investigation is certainly not growing less with the increasing speed of machinery, the greater demands on intelligence and the consequently increasing nervous strain, the extension of piecework and premium bonus systems, and the development of "scientific management."

The most fundamental question is, of course, what precisely is the connotation of the term "fatigue." This is primarily a question for the physiologist, who as yet has not been able to give a complete answer. Considerable study has been made of

muscular fatigue, and it has been demonstrated that such fatigue arises from the chemical transformation of the glycogen brought by the blood to the muscles into certain fatigue products of which the chief are sarcolactic acid, monopotassium phosphate, and carbon dioxide, and it is believed that the accumulation within the muscle of these substances is the cause of the tired feelings and incapacity to perform further work which we term fatigue. Washing out the muscle with a saline solution removes these substances and restores the efficiency of the muscle, and a similar result ensues in course of time in the normal muscle by the circulation of the blood which removes the fatigue products. But very little is known as to the length of time required for such removal or as to the necessary relation between periods of muscular activity and of quiescence in order to secure equilibrium between generation and removal of the products. However, it is important to notice that "fatigue" has a definite objective origin, and that the individual's consciousness of feelings of "tiredness" are quite unreliable indications of his conditions with respect to fatigue. This has been clearly established by the experimental psychologist, who has also shown definitely—what most of us would suspect to be the case—that continued effort at full capacity results ultimately in less and less output per unit of time, whilst the period required for recovery to normal efficiency rapidly increases. Another of his findings, that, as effort is continued, muscular co-ordination becomes less perfect, will be discussed later, but for the moment its significance lies in its implication that fatigue as it is ordinarily met with, especially in industry—general fatigue—is not fatigue of merely one muscle or even of one set of muscles, each of which is poisoning the blood-stream, but is also connected with the nervous system. But if our knowledge of muscular fatigue is vague and indefinite, that of general fatigue and its relation to the nervous system is infinitely more so. Not only are we ignorant of the nature of the phenomenon, but we are unable to say exactly what is the effect of over-fatigue upon the individual's general physique and power of resistance to certain specific diseases, though the evidence is steadily increasing to show that there is such a connection. Perhaps, from the point of view of the economist, his most urgent requirement from physiologists is the formulation of a standard physiological index of fatigue. The psychologists have, of course, experimented with various tests involving either (1) motor activity (tests of output or of accuracy), or (2) the speed of response to, or accuracy of discrimination of, various stimuli, but there is little general

agreement as to the validity of the tests or their interpretation, and, moreover, it is not necessarily true that when recovery to the normal judged by such tests has been reached that the individual is not still fatigued in the physiological sense. Until, therefore, a reliable physiological index is discovered, it will be impossible to determine scientifically the length of day for the normal worker in any given occupation which results in maximum permissible fatigue, or to investigate fully the fatiguing effects of various occupations and the relative influence of such determinants of fatigue as a high wet-bulb temperature of the atmosphere, speed of operation, muscular *versus* nervous strain, &c.

Meanwhile, whilst he is waiting for the physiologist and experimental psychologist to furnish fuller information respecting the nature and measurement of fatigue, there is a considerable amount of work awaiting the social economist in his own sphere. Although, as has been pointed out, the curve showing variations in the long-period output of work per day, with different lengths of day, cannot be the only determinant of the hours of labour, yet it must always be an important factor. Disregarding for the moment those possible physiological and pathological effects of fatigue which do not affect long-period daily output, it is evident that both employer and worker need for their guidance some knowledge of the way in which output per day varies with the length of day. The efficient employer, if he is working on a one-shift system, desires to secure that length of day which will give him maximum net gain, and in the vast majority of cases this is secured when he obtains maximum output per normal worker per day, *i.e.*, when the length of the working day is the longest possible without in the long run so fatiguing the worker that recovery cannot take place after each day's work, and in consequence the output of the next and succeeding days is reduced. On the other hand, the aim of the worker will not necessarily or even probably be the same; for, as Prof. Chapman has pointed out,[1] a fully-informed worker would desire that length of day where the marginal value of the results of further labour, less the marginal value of the leisure destroyed thereby, equalled the marginal loss due to the disutility of further labour; and it is more than probable that this length of day would be less than that yielding maximum output. Hence there is likely to be continual opposition of interests on this point so long as the one-shift system prevails. The difficulty of applying the reasoning to

[1] Presidential Address to Section F of British Assoc., 1909, reprinted in ECONOMIC JOURNAL.

actual conditions is obvious, however, for even the most objective factor—the long-period curve of output—is unknown. But it is quite possible that at the present time the prevailing length of day in many industries is too long for even maximum output, in which case both employer and worker would gain by a reduction of hours at least to the day of maximum output, and possibly even beyond that. But at this moment there are not adequate data for more than a mere surmise that hours in general are too long; nevertheless, that such a surmise is not entirely devoid of foundation is seen by the four cases cited by Miss Goldmark,[1] where a reduction of hours resulted in the same or an increased output; and it is significant, too, that the literature of "scientific management"[2] shows that in several instances very favourable results have followed a reduction of hours. Other similar instances are given, though with less detail, in Bulletin 118 of the United States Department of Labor and in the Report by the International Association for Labor Regulation on Hours of Labour in Continuous Industries.

The strength of Miss Goldmark's instances is that (i) they are of three industries, *i.e.*, general engineering, small engineering (manufacture of lenses, &c.), and chemical works, the work in which is fairly typical of industrial work generally; (ii) they relate to reduction of lengths of day or hours per week quite commonly found. Hence the results in these cases may presumably be expected in industry generally. The weakness of the instances lies in (i) their small number; (ii) the inadequacy of the data as to the effects on different types of workers—piece and time, young and old, &c.; (ii) the fact that they yield no information as to what would have been the effect of an even greater reduction. It is somewhat astonishing that, despite the research and labour which have evidently gone to the preparation of Miss Goldmark's book, so few cases giving detailed results could be found, and it is in the belief that many more data exist and need but collection and tabulation in order to provide (*a*) more information as to any particular industry; (*b*) a greater variety of instances in different industries, that this appeal for research is issued. Without such information any scientific judgment as to the suitability of hours of labour in any given industry is impossible.

How, then, is the information to be obtained? In, say, the last ten years there have been changes in hours in the case of some individual firms at least in probably most of the staple industries, and it is surely not impossible to obtain access to the information

[1] *Fatigue and Efficiency*, Chap. V. [2] Taylor, *Scientific Management*.

contained in the books of some of these firms. From these records it should be possible to obtain for, say, six or twelve months before and after the change (i) the gross output in units of the commodity per week of certain departments; (ii) the gross number of hours per week worked therein. From these the average output per hour, or the normal output for a complete week at various periods before and after the change could be obtained and, if care were taken to eliminate cases where there had been any material alteration in machinery or in methods of production, a comparison of such figures in the case of any given firm, checked if possible by those from a similar firm in the same industry, would furnish useful data. A more satisfactory method would be to obtain the hourly output in specified weeks of each of a number of individuals, but it is improbable that the data for obtaining this would be available save in the case of pieceworkers. In such cases a sufficiently accurate index would be the weekly earnings, provided it could be assumed that these represented a full week's work. The advantage of taking individual cases is obvious, for it furnishes information as to the effect of the change on different types of workers—old and young—and also allows of the elimination of cases of learners whose skill is increasing in the period under review. Comparison of the results from departments whose workers are paid by time with others whose workers are all on piecework would give some clue as to the truth or otherwise of the contention sometimes advanced by employers that there would probably be no gain in output proportionate to the reduction in hours amongst time-workers, though in the case of pieceworkers such a gain might take place owing to the desire of the pieceworker to attain a certain normal wage. As a matter of fact, the only published instance known to the writer—that of Mather and Platt—shows just the opposite result, *i.e.*, a greater gain in output from time than from piece workers, though the difference diminished towards the end of twelve months after the change. The interpretation would seem to be that the piece-workers were, before the change, more over-fatigued than the time-workers, and took longer to recover from the over-fatigue. It is, however, obviously dangerous to draw any satisfactory inference from merely one case.

Not only could cases of permanent reduction in hours be examined in this way, but much valuable data could also be obtained relating to the effect of short-period alterations—overtime, &c.—from firms in seasonal trades, such as the clothing industry, where there may be two or even more changes in hours

per year. In the case of these trades it would be especially desirable to obtain the figures for selected individuals of normal efficiency, since the proportion of learners is here very high.

The securing of maximum output depends not only upon the length of the working day, but also upon its division into working spells and the inclusion of an adequate allowance of rest intervals. As to what constitutes an adequate allowance, and what should be its distribution over the working period we are even more ignorant than of the right length of day, and it is somewhat astonishing to note that the originator of "scientific management"[1] states that a large number of experiments on workers shovelling pig-iron showed that maximum output was obtained when practically 50 per cent. of the nominal working period was absorbed by short rest intervals. It is perhaps too optimistic to hope that many employers will furnish facilities for experiments comparable to those of Taylor, or even try experiments to test the relative merits of a ten hours' working day worked (*a*) in two spells of five hours, (*b*) in two of five and a quarter hours, with a quarter of an hour rest in each spell; probably, too, the workers would object to the alteration. But although experiment alone can conclusively settle such points, much light might be thrown on the problem if we had some idea as to how the output per hour of the normal worker varies throughout the day—whether it falls, and, if so, in what degree, in the later hours of the spell, and whether recovery occurs after the midday break.[2] There should be little difficulty in obtaining these data in certain types of work where the worker is completing each hour a fairly large number of approximately similar units of work, *e.g.*, in the making of cigarettes, cardboard boxes, small engineering repetition work, moulding of jam-pots, type-setting by hand, packing of sweets, die stamping, &c. Even if individual returns were not obtainable, aggregate returns would afford some information, though, as before, it is desirable to get individual returns in order to note the variations due to age, skill, etc., and especially is it desirable to get individual returns of young persons, since light may then be thrown on the question as to whether the length of spell is markedly too long for such persons, though it may not be for adults. It is further desirable to obtain returns for piece-workers and day-workers in order to see whether the former method of payment results in a tendency to "rush" in the earlier hours,

[1] Taylor, *Scientific Management*.
[2] *Cf.* Investigation by Pieraccini cited by Goldmark.

with consequent exhaustion in the later ones. In cases where a certain task is expected per day, the rush period may occur at the end of the day. Once such returns have been obtained and plotted, it may well be that the employer will be prepared to make the experiment of additional rest intervals at suitable parts of the day—say where the curve begins to drop—and the effect of the interval could then be studied. In like manner the variations in daily output per day of the week and after holidays could be obtained. It is desirable that so far as possible these returns should be obtained without the worker's knowledge in order that ordinary normal conditions should prevail, but if the attempt to do so involves any risk of suspicion or misunderstanding, a frank and tactful explanation should at once be given.

One possible objection should be noted. It may be argued that some falling off in output as the day progresses may be detected in the case of purely manual labour, but that in the case of workers tending machinery the machine determines the output, which is constant therefore throughout the day. This may possibly be true in some cases, but it is certainly not universally true, for in many operations the machine is constantly being stopped for adjustments or for supply of material, and in such cases the output is obviously a function of the length of time consumed in such stoppages, which itself is a function of the worker's fatigue. That subjective factors are important in such cases is evident from the great disparity in wages earned on piece-work amongst, say, a group of cotton weavers all working on the same kind of work on looms running the same speed.

So far the suggested investigation has related mainly to output. But there are, as already pointed out, much wider reactions to be taken into account, since the length of day for maximum output may ultimately result in nervous or other physical troubles. The investigation into such matters is, of course, outside the economist's powers, but some information may be gained in the carrying out of the foregoing inquiry in the case of firms which have a sick benefit society or of whose workers a considerable number belong to a local friendly society. But whilst this may not be very conclusive evidence, there is one point—the number and distribution of accidents—on which definite data can easily be secured. It is not intended that the total number of accidents in certain periods before and after a change in hours should be compared, for this may be a function of several objective factors, *e.g.*, improvements in safeguarding machinery, the extent to which floor space is taken up by additional workers or by stocks

of material, the introduction of semi-skilled labour in busy times, &c. The information desired is the percentages of the total number of accidents during, say, twelve months which occur in each hour of the working day for each day of the week, *i.e.*, of those accidents which happened on Tuesdays, the percentage which occurred between 9 a.m.–10 a.m., 10 a.m.–11 a.m., and so on. It has been clearly demonstrated by experiments, some of which have reproduced in some degree the actual conditions of ordinary industrial work, that continued muscular activity results ultimately in faulty muscular co-ordination—in imperfectly controlled movements—which might result in accident in the case of workers such as circular-saw operators, power-press workers, or structural steel erectors, whose work requires them to perform movements with considerable accuracy, at the risk, in case of failure, of personal injury. Very many industrial operations are of this nature, though, of course, in varying degree, and it is believed that the "carelessness" or "inattention" of the worker to which the accident is often ascribed is really a result—wholly or partially—of fatigue; that, as the working spell progresses, there is a growing fatigue, which manifests itself in an increasing imperfection of accuracy of movement or in failure of judgment, and consequently the number of accidents increase in the later hours of the spell. The laboratory experiments of Bogardus[1] showed that in short experimental spells of twenty minutes, where the worker was working at full speed, two-thirds of the total "mistakes" occurred in the latter half of the spell. The published statistics of various American and German Labour Departments[2] also show a marked increase of the percentage of total accidents in the later hours of the spell, the percentage of accidents in the later hours of the morning spell being three or four times that of the first hour, and dropping to an intermediate figure after the midday rest, to rise again later. There are, however, several difficulties in interpreting such statistics:—(1) The figures relate to *all* accidents, and therefore include an indeterminate number of accidents whose causation is not in any way contributed to by fatigue, and whose distribution over the day may be such as to mask in the aggregate figures the effects of fatigue in those cases where it is a factor. Hence, in order to ascertain the effects of fatigue on accident causation, the method adopted by Bogardus in his analysis of the Illinois figures should be followed. The accident records were examined and the

[1] *American Journal of Sociology*, Vol. 17, 1911.

[2] Cited in Goldmark, in Bogardus; see also articles by Miss Hutchins in *Sociological Review*, Jan. 1913, and "Report on Conditions of Employment in the Iron and Steel Industry in the U.S.," Senate Document 110, Vol. IV.

accidents classified in two classes :—(*a*) those in which subjective conditions ("carelessness," &c.) could *in any way* have contributed to the accident; (*b*) those which were obviously due entirely to objective factors, *e.g.*, breakage of material or plant, flying shuttles, &c. What was desired was not to ascertain the percentage of accidents due to workers' negligence, but simply to eliminate those cases which were obviously due to causes outside the control on the day of the accident of any normal worker —not necessarily the injured person—engaged in his normal work. For example, an accident caused by the dropping of a brick from a scaffold by a bricklayer would be included in class (*a*), but an accident to the bricklayer due to the breakage of his scaffold would be included in class (*b*); for even though the breakage of the scaffold might have been due to negligence in constructing it, this presumably occurred at some time previous to the accident, and the significant time as regards the relation to fatigue would be the time of the construction of the scaffold, not the particular time at which it broke. As the former time is probably unknown, we eliminate the accident from class (*a*). In the case of the Illinois figures, class (*a*) amounted to about 82 per cent. of the whole. The time distribution of this class over the hours of the days of the week was then ascertained and stated in percentages.

Before even these figures can be utilised, a second difficulty must be faced. They relate to large numbers of factories, not all of which have the same starting, stopping, and meal-times. Hence an accident between 9 a.m.–10 a.m. may be in the third hour of work of Factory A., and in the second of Factory B. To some extent the difficulty is lessened if the figures are given in the form adopted by the German authorities, and classified according to their occurrence in the first, second, third hour of work, &c., but even here the meal-times may vary in their occurrence between the third and fourth, fourth and fifth hours. &c.

Hence, though the published statistics are exceedingly suggestive, I think they should be supplemented by the analysis of the records of large individual firms or groups of works whose hours and meal-times are similar and where the conditions of work are definitely known. The necessary particulars as to manner of occurrence, time, age of worker, will be easily obtainable from the Accidents Records kept for Factory and Compensation Act purposes. If a series of such returns for several large firms were obtained, it would probably furnish fairly definite information as to the influence of fatigue on accident occurrence,

especially if comparison were made of similar firms in the same industry working different hours. Possibly, too, additional information would be yielded by tracing the distribution of the accidents over the days of the week, and the variation before and after holidays, but the interpretation of such figures is complicated by the possibility that there may be considerable variations in the total number of workers employed on various days of the week, and correction for this would be difficult owing to the probable absence of records, and also to the further possibility that certain departments with accident risks differing from the normal may not be in full work on certain days of the week, *e.g.*, the ironing department in a factory laundry.

The foregoing statistical inquiries are really necessary for any complete investigation, but there are, of course, effects of fatigue in particular industries which, whilst not capable of statistical statement, may be even more important. Such effects are not confined to cases of excessive nervous strain, or of physical lesions such as varicose veins due to long standing, but may be more subtle in their incidence; for example, there seems to be some reason to believe that the onset of certain diseases, *e.g.*, pneumonia, may be in a large number of cases determined by fatigue. The full investigation of such effects requires medical knowledge, but it is desirable that their possibility should be borne in mind by the economic observer and attention directed to them, especially where the main objective determinants of fatigue—heavy muscular work, high wet-bulb temperature, long hours of work, &c.—are present, and the workers include a considerable percentage of women and young persons.

The lines of inquiry suggested above are, of course, by no means exhaustive, but though they are admittedly incomplete, yet they are beyond the powers of any one individual, or even of a small group of people, who can give only a part of their time to the inquiry. It is, therefore, to be hoped that the Fatigue Committee of the British Association will receive the co-operation of many other workers, and it is suggested that the carrying out of detailed inquiries along some such lines as the foregoing would afford valuable realistic experience to research students. Such co-operation would be heartily welcomed, and every possible assistance given to investigators by the secretaries to the Committee, Miss B. L. Hutchins and the writer.

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REVIEWS

Der Bourgeois. By WERNER SOMBART. (Munich: Duncker & Humblot. 1913. Pp. vii + 540. Price 12 marks.)

Der Moderne Kapitalismus was published in two volumes in 1902. It established Sombart's position among the younger economists of Germany, and before long the first edition of the work was exhausted. In preparing the second edition, the author was led to deal with a number of subsidiary problems arising from his main theme. So we got books on the influence on the development of modern capitalism exercised by (1) luxury, (2) war and warlike undertakings, and (3) the Jews.

But the spirit of modern capitalism, its true nature and its historic development, had received only incidental consideration in these three works, and therefore a full treatment of the subject seemed only a natural sequel to the trilogy. In the book before us Sombart has provided such a treatment, tracing the history of the capitalistic spirit from the Renaissance to the present time. The book, however, is not the history of an abstract idea or of a system of thought; it rather considers the personification of the idea in the social type, the *bourgeois*. Hence the title of his book.

What is the spirit of modern capitalism? Sombart answers—all the expressions of the intellect, the emotions, and the will that accompany economic activities to-day. By to-day he means not only the immediate present, but the whole of that period in the history of Western Europe which is labelled "modern" in the text-books. He is at some pains to lay stress on this division because the preceding period was dominated by a totally different economic spirit. In an introductory chapter, written as is indeed the whole book, with a brilliance of style and a fullness of knowledge, Sombart sketches the "economic philosophy" of the Middle Ages. "The pre-capitalistic man is the natural man; man as God made him; man who does not yet stand on his head and run on his hands, but walks firmly on his feet." And the

aim of this natural man? To satisfy his wants—no more and no less —in accordance with the needs of his social class. Of social classes there were broadly two: the lordling and the peasant. The former was not occupied in the work of production; he rode to the wars, attended tournaments, built castles, and scorned money —"usus pecuniæ est in emissione ipsius." The latter worked in the sweat of his face, his ideal to "make ends meet."

The modern spirit appeared in contrast to all this, showing itself in the special love of money (mercantile system) and in the thousand ways that were adopted for obtaining it—commerce on a large scale, the search for hidden treasure, money-lending, service at royal courts, alchemy, and what not. Sombart classifies them under four heads: force, magic, financial speculation, and inventions (compare Defoe's *Essay on Projects*, 1697. "About the year 1680 the art or mystery of projecting began visibly to creep into the world.") But all these were capitalist undertakings of one sort or another. That leads the author to consider the early history of capitalist undertakings as illustrated by war, land holding, and State and Church enterprises. We are told much about the "gentlemen adventurers," discoverers, colony planters, mine owners and stock-jobbers, and one of the most brilliant sections of the treatise is Sombart's attempt to show how (and why) the commercial spirit showed itself in a marked degree among the Florentines, the Scotch, and the Jews.

Sombart sees the first appearance of the *bourgeois* in Florence towards the middle of the fifteenth century. In Alberti's *I Libri della Famiglia*, published in 1450, he has discovered the same virtues that in a later day were preached by Daniel Defoe and Benjamin Franklin—economy, thrift, prudence, and the rest, all of which, it was supposed, would produce the successful city man. Accordingly, he tries to demonstrate that in their true essence there is little that differentiates the economic activities of (say) Sir Walter Raleigh and Cecil Rhodes. Each was but a *bourgeois* with *bourgeois* ideals. The fullness of historical detail adduced in illustration of this thesis will be found interesting in a high degree. Besides this, the references throw no little light on the economic history of the sixteenth and seventeenth centuries.

The book is full of happy comparisons. The best, in our judgment, is the likeness of the soul of a capitalist undertaker to that of a little child. Four "ideals" are the child's. He likes big things; he is always on the move; he is constantly searching for something new; and he loves the consciousness of his superior physical powers over insects and animals. (That is why he pulls out

the legs of the fly or holds the frog captive.) Sombart maintains that these same ideals actuate the up-to-date business man. He quotes Viscount Bryce in illustration of the first point: that in these days there is "a tendency to mistake bigness for greatness." As for restlessness and greater and greater speed of movement, one need only refer to the daily Press for glorifications of record-beating. So, too, in the case of novelties—dances and fashions change from season to season; people rush to see new inventions. Finally, think of the pride of power in the breast of an employer of labour whose workers number several thousand.

A little over half the book is devoted to the story of the growth of the spirit of modern capitalism; in other words, to the rise and progress of the *bourgeois*. Given the spirit, the question suggests itself: To what causes was it due? The second part of the book attempts answers, and Sombart ascribes the appearance of the capitalistic spirit to three main causes, biological, moral and ethical, and social. The author is particularly stimulating in his treatment of the biological factors. He divides mankind into two natural classes—those who are inclined to be spendthrifts, and those who are of a saving disposition; those who (in the terms of the schoolmen) prefer *luxuria* and those who are under the spell of *avaritia*: or, as Bergson has it, *l'homme ouvert* and *l'homme close*. Hence, some natures are specially fitted for capitalistic enterprise, and your successful millionaire will have shown some capitalistic quality or other, even as a child. (Compare Rockefeller's boyish bookkeeping operations.) Hence, too, some races are better fitted for capitalism than others. It is interesting to note that Sombart places the Celts (the Irish and the French) in the latter category; while as good capitalists he regards the Romans, the Normans, the Lombards, the Scotch, and the Jews. It is obvious that speculations such as these cannot lead to any final and generally accepted results. Still less can the contention that certain systems of philosophy, as certain religions, tend to cultivate the capitalistic spirit. Nevertheless, the author's considerations in these sections are exceedingly suggestive and stimulating.

Sombart has much to tell the reader of the past of capitalism. But what of its future? He believes in the doctrine that Marx formulated: that modern capitalism must break down by reason of its inherent weakness. Capitalism decayed in Germany and Italy in the sixteenth century, and in Holland and France in the seventeenth. The causes at work then are probably active now also, and their destructive work will in all likelihood be assisted

by two characteristics of modern times—the growth of bureaucracy and the declining birth-rate. Whatever may be felt about the bulk of the book, these conclusions have much to be said for them.

The book stimulates thought; it contains many a new point of view, and the style in which it is written is a perpetual joy. Obviously the work was intended not so much for the student and specialist as for the general reader. But the specialist and the student will find much in it that is a contribution to learning, and as a companion volume to any good economic history of Europe in modern times the book is admirably fitted. But it is a thorough "Sombart book," which is to say, while full of learning and new ideas, it propagates theories. Some of them his readers will already know. Thus, he is still obsessed with the idea that mechanical inventions (born of the Romano-Germanic spirit) wedded to stock exchange speculation (born of the Jewish spirit) have made modern capitalism what it is. But others are new. Sombart holds that modern capitalism, while on the increase in Germany, is declining in England. What are his reasons? The fashion of the week-end, the decreasing capacity of English manufacturers to adapt themselves to the needs of their customers, the comparatively slow progress of applied science in England, the spread of luxury, the too great devotion to sport, are all indications. It does seem that this is but another instance of his sin of over-generalisation. Despite this, the book is at once a criticism and an analysis of the economic spirit of the age.

We have noticed only one slip: Sombart speaks of the "Economical Man" of the classical writers (p. 3). This should be corrected in a subsequent edition, and in the English version of the book which, we understand, is to appear next year.

M. EPSTEIN

The Nature and First Principle of Taxation. By ROBERT JONES. (London: P. S. King and Son, 1914. Pp. xvii+299. Price 7*s.* 6*d.* net.)

IN recent years the English student of the problems of taxation and finance has had to look to America for discussions respecting the theory and principles of his subject. With exceptions which might be counted on the thumbs of his hands, he got no assistance from English writers. One of the indications of a change in this respect is afforded by the work under consideration. Mr. Jones has attempted an investigation into funda-

mental questions, and he has had the power of enlisting the services of Prof. Cannan, to whom he "is indebted for many suggestions and criticisms," as well as the sympathy of Mr. Sidney Webb, who supplies a characteristic "Preface." Our expectations are therefore naturally raised to a high point, and it may be said at once are in a good degree satisfied.

The opening chapter deals with the *nature* of taxation, and, after an elaborate examination of the opinions of writers on finance, reaches the simple result that the essence of a tax is its compulsory levy. "*Taxes* are compulsory payments made by persons to a governing body, and not guaranteeing definite measured services" (p. 29). But the value of this result is not to be judged by the meaning contained in the proposition. The task of comparison and elimination carried out in the chapter is most instructive for the student. On two points, however, we would like to record our dissent. One is the treatment of loans. Mr. Jones declares that "the term 'profits' is hardly elastic enough to carry 'borrowings' as one of its subdivisions" and he even questions "whether loans form part of real revenue at all." But then, with curious inconsistency, he adds, "Regular loans would form a part of revenue, but loans are rarely regular." It seems clear that there is a confusion between the mere "receipt" and true revenue. The State should not—any more than the individual—include receipts from borrowing as a part of income. The second point is one of terminology. Under Prof. Cannan's advice, our author has in most cases adopted the term "quasi-taxes" in place of his own term "mixed taxes" to describe those kinds of revenue in which the tax element is only a part, being mixed up with price. Though the term "mixed tax" is not free from all objection, it seems to us very much better than the substitute. The great writer who in a way naturalised the word "quasi" in English has a heavy responsibility to bear; but he never would have countenanced its use for such an expression as "quasi-tax." The employment of the term is to suggest "strong superficial analogy"; it "negatives the notion of identity." In respect to two classes "it points out that they are sufficiently similar for one to be classed as the sequel to the other," and that there may be a transference of rules from one class to the other. This is completely true of contract and quasi-contract; it is not true of taxes and of receipts which are partly taxes and partly prices. The element of *degree*, altogether lacking in the former, is prominent in the latter. Probably the most valuable discussion is that on the relation of rates to taxes

(pp. 25–28), in which the resemblances between the two modes of charge are well brought out.

The second chapter forms more than a third of the book, and gives a view of the opinions on the nature and criteria of taxation from the earliest times down to the present. Its preparation must have called for a good deal of what is described in political circles as "spade-work." The gathering, *e.g.*, of the allusions in the Bible to tribute (p. 49) meant the diligent use of the machinery of reference and due verification. It may be questioned whether the place assigned to this survey does not disturb the proper development of the thesis supported by the author. Chapter II. is, in fact, just as much an appendix to Chapter III. as the definitions of taxes are an appendix to Chapter I., which is their actual position in the book. But however this may be, there can be no dispute as to the value of the compilation of opinions and judgments ranging from people so different in their surroundings as the early Eastern sages to Professors Chapman and Taussig. Some of the extracts are specially useful, coming as they do from works inaccessible to the ordinary student; *e.g.*, the quotation from Moreau de Beaumont (p. 89).

Having secured a basis for discussion in the material of Chapter II., Mr. Jones develops his theory as to the first principle of taxation. He shows the great variety of the principles or rules suggested by preceding writers, and by criticising them finds himself led on to acceptance of the position that "economy" is the fundamental principle of taxation for the economist. Economy is, however, something much wider than the details usually associated with that rule in finance. It, broadly speaking, amounts to the most effective direction of the power of the State, for "If the community receive on the whole greater benefit from payments made as taxes in any form than it would receive if the amounts had remained in the hands of the payers, the principle of economy has been observed" (p. 179). Succeeding propositions continue this idea of gaining maximum result as the test of the tax system.

The principle of "equity," so prominent in economic and financial discussion, is, it may be said, reduced in force by dwelling on the ambiguities and perplexities of the rule. In practice, Mr. Jones favours a rather steep form of progressive taxation, falling short of the placing of the whole burden of the State on the limited number of available millionaires, which would be in accordance with the principle of "economy," and would be

Procrustean taxation. The lingering sentiment of justice is recognised as making this latter form impossible. As he points out, his view coincides with that presented in the Minimum Sacrifice theory of Prof. Edgeworth; though there would probably be great difference in the practical applications.

Another rule or, as he thinks, principle falls under our author's criticism, viz., that of "productivity" (pp. 154–8). Unfortunately, he does not realise that he is substantially in agreement with the writer that he is criticising. For the maxim of productivity is a practical one. "First and most important of the principles that guide the practical financier is that which declares that 'taxation should be productive.' The very object for which the revenue exists is to provide for the maintenance of the State, and therefore the Minister in charge of the finances naturally estimates the merits of a tax by the amount of its yield" (*Public Finance*, p. 417, third edition). In complete agreement Mr. Jones says, "Were we concerned only with fixing the practical fundamental maxim of taxation, we should only need to cite Professor Bastable's graded table. Certainly a tax fails of its main objective if it is not sufficiently productive. . . . Where the maxims of taxation are set out in one general list, involving the standards of politics, ethics, and economics indiscriminately, the maxim of productivity must hold the first place." The only comment required is that which explains that "the true point of view for understanding these maxims is to regard them not as economic, ethical, or constitutional, but as essentially financial; they therefore rightly combine the different elements that must enter into problems connected with that subject" (*Public Finance*, p. 415). The relation between the different maxims is undoubtedly a varying one under special conditions. Even economy has in its application to make concession to equity by what is described as "harmonising" (p. 197).

Space will hardly allow of our noticing the Appendix, with its careful treatment of the terms used in many languages to denote taxation, its section on some collections of family budgets as affected by taxation, and its bibliography.

We must not pass over in silence the application of the fundamental principle of economy made by Mr. Webb in the Preface already referred to. We are invited to contemplate "the effect upon the nation's expenditure of wisely adjusted taxation. Ought we not by taxation to cut off the least useful part of the national expenditure?" We then learn on the authority of "the economists" that "of the incomes of which we are allowed the

individual spending, *we waste (or worse than waste) something like a third.*" "Government expenditure is, in fact, far more wisely done than the average of private expenditure. There is no getting away from the inference that a progressive transfer of more and more of the national income from individual to collective channels would result in a positive improvement in the character of the nation's total expenditure."

This remarkable contrast of the individual and the Governmental economy, to the disadvantage of the former, suggests some reflections on the conclusions to be drawn. As neither poor nor rich are exempt from the verdict of "the economists," it seems that something more than the Procrustean taxation of the wealthy is required. One-third of the average income must be redeemed from "waste or worse than waste." Even then there is no guarantee that the remainder will be properly used. Nothing but collective wisdom can secure an approach to wise spending. In fact, all income must be socialised. Some foolish people will continue to think that there is waste and worse than waste in Governmental expenditure. They will also feel that individual outlay does, on the whole, contribute more to the advantage of the users and of society than the same funds (assuming them to continue) distributed by Governmental authority. They might also believe that they are supported by the judgment of the economists.

C. F. BASTABLE

Von der Diskontpolitik zur Herrschaft über den Geldmarkt. By Prof. Dr. JOHANN PLENGE. (Berlin: Julius Springer, 1913. Pp. xxvi+431. M. 12.50.)

THE title of this bulky volume is somewhat misleading, for only a small proportion of the book deals with the difficult and important problem indicated on the title-page. Much the larger part consists of a very acute and outspoken criticism of the policy of the Reichsbank during the last twenty years, and especially of certain proposals of reform put forward in 1912 on behalf of the Reichsbank through the medium of one of its directors, Herr v. Lumm.

There has been latterly a growing feeling in the German business world as a whole, and even amongst bankers themselves, that the present state of the German banking system is unsatisfactory, and that there is urgent need for reform. The great pressure felt at the quarterly settlement days has been exciting

alarm, while the Morocco Crisis of August, 1911, accompanied as it was by the withdrawal of French deposits and by a panic which raged for some days on the Stock Exchange and money market, provided a foretaste of what the financial effects of a European war might be. The result was an outburst of criticism of German banking institutions other than the Reichsbank, which found its most authoritative exposition in the series of articles published in 1912 in the *Bankarchiv* by Herr v. Lumm. It was, perhaps, hardly to be expected that Herr v. Lumm, who was writing in a semi-official capacity as representative of the Reichsbank, should direct criticism at the policy of that institution itself, but it is very remarkable that, amidst the general chorus of approval which greeted his articles on the part both of the financial Press and of bankers themselves, hardly a voice was raised to call attention to the Reichsbank, and to ask whether it was entirely free from blame. It is the chief merit of Prof. Plenge's work that in it, besides the criticisms of the reforms proposed by Herr v. Lumm, the whole policy of the Reichsbank, which has been so widely regarded in Germany as infallible, is weighed in the balance, and, in Prof. Plenge's opinion, found wanting. Indeed, he says himself that the chief claim which he makes for his book is that in it he has "destroyed the Legend of the Reichsbank." By a careful analysis of the returns of the Reichsbank, he shows that the ratio of the metallic reserves to the note issue has declined steadily since the early 'nineties of the last century, while the liabilities, in extraordinary times of war or panic, have within the same period enormously increased. This state of affairs has been mainly brought about by a mistaken theory, which has been held by those responsible for its discount policy, as to the proper functions of the Central Bank in the modern state. There can be no doubt that in the early days of modern Germany the great need was for capital, and that that overshadowed every other function of the Reichsbank. Thus largely from historical reasons it seems to have been held as axiomatic by the directors of the Reichsbank that their first duty was to provide industry with low discount rates. But the position of the Reichsbank has changed very much since the 'seventies. The great Credit Banks control a far larger amount of credit than it does, while the *permanent* level of the discount rate is obviously not dependent on the policy of any bank. Great pressure has always been put on the Reichsbank to lower its discount rate as soon as possible, and it is owing to its submissiveness to such demands that the present position has

arisen. The function of the central bank in the modern industrial state which is really of fundamental importance is that of being the "bank of banks." It is this primary duty which Prof. Plenge considers the Reichsbank to have neglected, with the result that its sensitiveness with regard to any increase in the claims upon it is altogether excessive. The chief aim of Herr v. Lumm's proposals in the *Bankarchiv* was towards the strengthening of the reserves of the Credit Banks. Prof. Plenge rightly maintains that while this might lessen the monetary stringency at the quarterly settlement days, yet in general, and above all in time of war or other crisis, what is of far more vital importance is the strength of the reserves of the central bank. The crux of the problem is how the central bank can best accumulate the necessary specie reserves, and the solution advocated by Prof. Plenge is that large quantities of notes of small denomination should be issued rapidly, and by this means the circulation drained of gold. This is cheaper than buying gold from abroad, while obviously gold is wanted, not in circulation where paper will do just as well, but in some central place. Once the reserves had been brought up to their proper amount, they should be maintained there by a more careful discount policy directed, not to keeping the discount rate as low as possible, but to protecting the gold reserve.

The activities of the Stock Exchange have always been regarded with a more unfavourable eye by the State in Germany than in most other countries, so it is not surprising that many of the recent proposals for reform have aimed at penalising the Stock Exchange by hindering the free flow of capital to it. Even Prof. Plenge has not freed himself entirely from the prevailing views of his countrymen. He exposes, it is true, the vulgar error that the capital which is lent by the banks to the Stock Exchange is permanently retained by the latter and is lost to the rest of the community. The Stock Exchange is, of course, merely an intermediary organ between leaders of capital and the industrial demand for capital, its main function being to create a market for shares and increase the fluidity of capital. But he goes on to say that, nevertheless, a large amount of capital is permanently "swallowed up" by the Stock Exchange; for when the speculative gains resulting from a rise or fall in the value of securities are consumed by their fortunate possessors, national capital is turned into income. "What the stock speculator devours as income works as a corresponding diminution in the national savings which have already been laid aside" (p. 177).

But surely it is a grave error to consider this a net loss of national capital, for what happens is that a very great deal of capital passes through the Stock Exchange during the course of the year, and on this a sufficient toll is levied to maintain the economic function of speculation, which Prof. Plenge expressly admits to be beneficial. On the average, speculation, like every other permanent form of economic activity, yields an income, but this is required to call forth the activity, and is not of the nature of a net diminution of the national capital. In order to show that there was a real maldirection of economic resources, it would be necessary to prove that the income derived from speculation was greater than the worth of the services rendered to the community, or greater than was required to call for these services, and, moreover, that this excess was spent and not saved. Prof. Plenge has made no attempt to prove this. It is surprising that, after the ten years' experience of the German Stock Exchange Law, Prof. Plenge can propose that the rate of interest on capital lent by the banks to the Stock Exchange should be artificially raised, in order to discourage speculation with borrowed capital. It is difficult to foretell the incidence of such a tax, but that it would rest on those who were intended to bear it, is in the highest degree improbable.

A long chapter is devoted to the vitally important financial problems which would confront Germany were she engaged in a great European war. The works of Stroell and Riesser have hitherto been the standard books on this subject, but in certain respects they are out of date, and Prof. Plenge makes many stimulating criticisms on some of their conclusions, and develops some important points which are not sufficiently considered in them. It has become almost a commonplace to say that the country whose finances are in the strongest position is the most likely to come victorious out of a long war, and Prof. Plenge emphasises the enormous strain which the outbreak of war, combined as it may well be with internal panic, throws on the banking institutions of the country, and especially on the central bank. The central bank should be amply prepared for any such emergencies, and should be so strong that public confidence in it would never be lost. It is interesting to note that the writer considers the moratorium an indispensable part of the financial equipment, even of a developed country such as Germany, in the event of a long war. According to him, it is the intention of the German Government, on the outbreak of war, to transfer the famous war treasure kept in the Juliusthurm to

the vaults of the Reichsbank, and to issue against this notes to the extent of three times its value, which is at present the legal maximum of notes to reserves under the German Bank Act. He makes a forcible protest against the existing proposal to issue special war notes (Kriegskassenscheine), on the ground that paper money which differs in design and name from ordinary banknotes, and which has been issued to meet a special emergency, is much more likely to come under suspicion and to fall to a discount relatively to ordinary banknotes, than if the issue of the latter had simply been extended.

Prof. Plenge has dealt in a masterly fashion with a number of the most intricate problems of finance and banking; while the admirable lucidity of his German and the clearness with which he presents his ideas should earn him the gratitude of all readers of his book.

C. W. GUILLEBAUD

The Credit System. By W. G. LANGWORTHY TAYLOR. (New York: The Macmillan Co. 1913. Pp. x + 417.)

IF it is impossible to argue with any sympathy on a difference of taste, it is scarcely more easy to give a patient and unprejudiced reading to an exposition of a different point of view. This is especially true when, as in this work of Prof. Taylor's, the point of view is applied, not to extend a theory to include new facts, but to re-explain matter with which one is already familiar.

The value of Prof. Taylor's book must rest upon that of his point of view, upon its superiority in simplicity and comprehensiveness to the theory of credit which now holds the field. As the scope of the book is wide, it is not possible to examine the fitness of its theory in its many particular applications; it will be better to take one of its more general chapters; that on "The Utility of Credit" will serve the purpose.

"Prices," says Prof. Taylor, "have two chief functions; one is that, with respect to particular goods, they indicate the rate at which the latter are estimated, compared with one another. The second is that they sum up the outlook of the community at large with respect to prosperity. Only as a third and minor case can it be said that they are interesting with relation to a standard of value."

This statement is somewhat open to criticism. In an industrial system which depends upon individual producers and not upon any central co-ordinating authority, one of the first requisites must be some means of indicating the nature and volume of consumers'

wants in order that producers may apply to the satisfaction of each want an appropriate quantity of social resources. This co-ordinating and regulating influence of price is surely one of its most important functions; yet it is not included—not, at any rate, explicitly included—in those given by the author. The point has, however, no close bearing upon the utility of credit, and we may pass on to the author's argument in favour of supplementing economic science with a much fuller consideration of mental processes, credit being a domain in which these aspects may with especial advantage be separately treated.

"A bank is essentially a psychological organisation. Business dispositions, arrangements, and processes are cerebral facts and operations. In a broad way, it may be said that credit is the study of the power which sets industry going. In credit reside the dynamics of economics."

This is really the essence of the chapter. Credit is useful because it is dynamic; it is dynamic because of the stimulus which it gives to the creation of new organisations; for example, the power of offering to buy other persons' goods by means of a promise to pay may create a new market and initiate new business developments.

"It is the psychic power concentrated in the signatures on a credit document, representing the accumulated resources in industry of a number of persons, that gets up steam. The difference between credit and economics emerges more clearly; the former has to do with the organisation and manifestation of *activities* in industry; the latter with its general, and especially its ideal, *conditions*."

In Prof. Taylor's view, credit is therefore a characteristic of negotiable instruments which introduces a power to stimulate industry. It seems clear that he is looking only at credit instruments, for he says (in italics): "*Credit is therefore mathematically the means of circulating goods.*" The effectiveness of the instrument varies with the generality of its credit; small in a simple note or bill, it increases as the number of endorsements increases, and is at its greatest in the issues of highly reputable banks.

"In this socialisation of undertakings to pay, the making of them a social quantity and force, the most beautiful example is found that could possibly be adduced of the sociological point of view."

Credit stimulates action. No one can deny it; but neither can he deny a similar effect to the substitution of iron for wood, of machinery for hand processes, or indeed to any economic short

cut in production. A point of view which confines "credit" to "credit instruments" and bases the utility of credit on a characteristic which is not peculiar to it, appears to me to be thoroughly inadequate.

Suppose, for example, that the circulating medium consisted entirely of gold; then the function of the banks in issuing "generalised credit" in exchange for "personal credit" would disappear. But would the banks therefore be useless? Not at all. They would still market capital as before, carrying it from their depositors to business men, taking it from where it was plentiful and distributing it where it was urgently needed. Even though every circulating credit instrument were abolished, the credit system, the debtor and creditor relation, would remain; and its essential economy, the distribution of capital among those most fitted to use it, would remain also.

The banking system, especially in England and America, has indeed improved on this simple work of transporting capital by substituting credit instruments for the gold formerly in use; and this substitution of paper for gold has introduced further advantages, both in economising the use of gold and in facilitating the transport of capital. But this substitution of paper for gold in the media of exchange does not differ in kind or in its effects from the substitution of wood for iron in ships and other transport agencies. Both facilitate the exchange of goods; no more, no less.

Prof. Taylor's view of "The Utility of Credit" does not leave room for this distinction between the use of credit in facilitating the distribution of capital among those best fitted to employ it and its use in increasing the efficiency of the media of exchange. His theory appears to take account only of the stimulus introduced by the latter economy; it certainly lays the stress upon this stimulus and does not explicitly include among the advantages of credit economies which English economists would regard as of the first importance.

Prof. Taylor's style is difficult, as the quoted passages show, when he is dealing with his general theory of credit; but in his later chapters on Bimetallism and Justice for Debtors it becomes clear and compact. This difficulty may have led to misrepresentation of his views in so far as they are concerned with the utility of credit; the impression, however, which is left upon the mind is that, while his theory might usefully supplement the more orthodox view, it is quite inadequate in itself as an analysis of the credit system.

F. LAVINGTON

Theorie des Geldes und der Umlaufsmittel. By LUDWIG VON MISES. (Munich: Duncker and Humblot, 1912. Pp. xi + 476. M. 10.)

Geld und Kapital. By FRIEDRICH BENDIXEN. (Leipzig: Duncker and Humblot, 1912. Pp. 187. M. 4.50.)

DR. VON MISES' treatise is the work of an acute and cultivated mind. But it is critical rather than constructive, dialectical and not original. The author avoids all the usual pitfalls, but he avoids them by pointing them out and turning back rather than by surmounting them. Dr. Mises strikes an outside reader as being the very highly educated pupil of a school, once of great eminence, but now losing its vitality. There is no "lift" in his book; but, on the other hand, an easy or tired acquiescence in the veils which obscure the light rather than a rending away of them. One closes the book, therefore, with a feeling of disappointment that an author so intelligent, so candid, and so widely read should, after all, help one so little to a clear and constructive understanding of the fundamentals of his subject.

When this much has been said, the book is not to be denied considerable merits. Its lucid common sense has the quality, to be found so much more often in Austrian than in German authors, of the best French writing.

The field covered is wide. The first book deals with the meaning, place, and function of money; the second with the value of money, the problem of measuring it, and the social consequences of variations in it; and the third with the relation of bank-money, of notes, and of discount policy to the theory of money. With the exception of the section on the value of money, where Dr. von Mises is too easily satisfied with mere criticism of imperfect theories, there is a great deal on every one of these topics very well worth reading. Perhaps the third book is, on the whole, the best. The treatment throughout is primarily theoretical, and quite without striving after *actualité*. The book is "enlightened" in the highest degree possible.

The second of the two books under review is a collection of brief essays, many of them reprinted from *Bank-Archiv*, by a director of the *Hypothekenbank* of Hamburg. If the book had come from the pen of an English bank director it would have been little short of a prodigy. But the relation between knowledge and practice is ordered differently in Germany. The first seven essays deal with the theory of money, and are chiefly intended to

popularise the ideas of G. F. Knapp, of whom Dr. Bendixen is evidently a devoted disciple and admirer. When he reminds us that Knapp thinks nothing of writing such things as that "der aus pantopolischen Ursachen gestörte Wechselkurs nicht nur durch Hylolepsie und Hylophantismus sondern auch auf exodromischen Wege reguliert werden könne," even those who have had a classical (as well as a German) education will be grateful for a simpler pen. It was Lotz, I think, who calculated that Knapp introduces in *Die staatliche Theorie des Geldes* something like seventy new technical terms, without explaining the meaning of any of them. It is perhaps partly for this reason that followers of Knapp show a distinct tendency to regard him at least as much in the light of a prophet as in that of an economist. Indeed, there may be some positive value in such a style; for there are few exercises better calculated to stimulate one's own ideas than a close and patient study of a work in which the words can only be understood by reference to the context, and the context only by reference to the words.

There can be no complaint, however, against Dr. Bendixen on the score of obscurity. With him all is clear and simple, and his only fault is to exaggerate somewhat the novelty and importance of his master's ideas. The old "metallist" view of money is superstitious, and Dr. Bendixen trounces it with the vigour of a convert. Money is the creation of the State; it is not true to say that gold is international currency, for international contracts are never made in terms of gold, but always in terms of some national monetary unit; there is no essential or important distinction between notes and metallic money; money is the measure of value, but to regard it as having value itself is a relic of the view that the value of money is regulated by the value of the substance of which it is made, and is like confusing a theatre ticket with the performance. With the exception of the last, the only true interpretation of which is purely dialectical, these ideas are undoubtedly of the right complexion. It is probably true that the old "metallist" view and the theories of regulation of note issue based on it do greatly stand in the way of currency reform, whether we are thinking of economy and elasticity or of a change in the standard; and a gospel which can be made the basis of a crusade on these lines is likely to be very useful to the world, whatever its crudities or terminology.

The rest of Dr. Bendixen's book is devoted to banking topics, and chiefly to the Reichsbank. While admitting that the element of private capital in the Reichsbank has been valuable in pre-

venting the institution from being used in the interests of the most powerful party in the State, and while allowing that the Conservatives wish the State to buy out the shareholders mainly in the hope that their party may then be able to direct the bank's policy in agrarian interests, he thinks that a constitution which leads to the bank's being run to a considerable extent with a view to profit has grave disadvantages. Neither the State nor the shareholders should derive from the bank varying profits which may tempt either party to subordinate policy to gain. The wide use of a cheque and clearing-house system, to take one instance, will never be developed in Germany, according to Dr. Bendixen, so long as the Reichsbank's profits are partly dependent on a maintenance of the existing state of affairs. As a banker of Hamburg, where the cheque or "giro" system is almost as fully developed as in England, Dr. Bendixen naturally regards the rest of Germany as grossly backward and uncivilised in this respect. On numerous other points of recent banking policy in Germany Dr. Bendixen makes penetrating criticisms. Amongst these may be mentioned his exposure of the foolishness of the half-hearted attempts which have been made to discourage the investment of German capital abroad, and of the futility of the Reichsbank's attempts to ease off the pressure on its resources at quarter days by refusing to lend to the market for very short periods.

I have described Dr. von Mises' book as "enlightened." If a corresponding epithet is to be applied to Dr. von Bendixen's book, I should describe it as "emancipated"—which, within the sphere of what is liberal and intelligent, is at the opposite pole. Dr. von Bendixen is without the cultivated subtlety of Dr. von Mises, but his practical wisdom is of a high order. Hamburg's mind is not so clever as Vienna's, but more comes of it.

J. M. KEYNES

What is Money? By A. MITCHELL INNES. (New York: Banking Law Journal. 1913. Pp. 32. Price 25 cents.)

IN his theory of money the author of this pamphlet is a follower of H. D. McLeod. The fallacy—if I am right in thinking that this theory of the effect of credit *is* a fallacy—is a familiar one, and it will not be worth while to discuss it in this review. The distinctive value of the pamphlet arises from a different source, as indicated below, and the writer's strength is on the historical, not on the theoretical, side.

The author's contention is that, in an overwhelming majority

of the instances to be found in recorded history, the currency has been of the nature of an *inconvertible* currency. "There never was," he says, "until quite modern days, any fixed relationship between the monetary unit and any metal; that, in fact, there never was such a thing as a metallic standard of value." The moneys of account, of which record remains, were for the most part conventional units, depending for their value on custom or on the action of the State, and having fluctuating values, in spite of occasional attempts to steady them, in terms of gold or silver. "If it is true that coins had no stable value; that for centuries at a time there was no gold or silver coinage, but only coins of base metal of various alloys; that changes in the coinage did not affect prices; that the coinage never played any considerable part in commerce; that the monetary unit was distinct from the coinage, and that the price of gold and silver fluctuated constantly in terms of that unit, then it is clear that the precious metals could not have been a standard of value, nor could they have been the medium of exchange." "There is not, and there never has been, so far as I am aware, a law compelling a debtor to pay his debt in gold or silver or in any other commodity."

This position Mr. Innes endeavours to establish by an historical inquiry, the value of which is, unfortunately, much diminished by an entire absence of any references to authorities. His first examples are drawn from classical times. The ancient coins of Greece and of Rome, according to Mr. Innes, although composed of the precious metals, are so extraordinarily variable in size, weight, and fineness that it is hardly conceivable that the value of the monetary unit depended on the amount of valuable metal in the coins. The coins, therefore, were all token coins, their exchange value as money differing in varying degrees from their intrinsic value. The bulk of his instances, however, are drawn from the early monetary history of France. We find here, throughout, considerable persistence in the name of the conventional money of account, constant variation in the weight and alloy of the coins, and a profit always accruing to the authority issuing the coins. "The only reason why the intrinsic value of some of the coins ever equalled or exceeded their nominal value was because of the constant rise of the price of precious metals, or (what produced the same result) the continuous fall in the value of the monetary unit."

Mr. Innes's next point is that the idea, that "in modern days a money-saving device has been introduced called *credit*, and that, before this device was known, all purchases were paid for in

cash, in other words in coins," is simply a popular fallacy. The use of credit, he thinks, is far older than that of cash. The numerous instances, he adduces in support of this, from very remote times are certainly interesting. "For many centuries, how many we do not know, the principal instrument of commerce was neither the coin nor the private token. but the tally, a stick of squared hazel-wood, notched in a certain manner to indicate the amount of the purchase or debt. . . . By their means all purchases of goods, all loans of money were made, and all debts cleared. The clearing houses of old were the great periodical fairs, whither went merchants, great and small, bringing with them their tallies, to settle their mutual debts and credits. . . . The relation between religion and finance is significant It is in the temples of Babylonia that most, if not all, of the commercial documents have been found. The temple of Jerusalem was in part a financial or banking institution, so also was the temple of Apollo at Delphi. The fairs of Europe were held in front of the churches, and were called by the names of the Saints, on or around whose festival they were held. . . . There is little doubt to my mind that the religious festival and the settlement of debts were the origin of all fairs, and the commerce which was there carried on was a later development. If this is true, the connection between religion and the payment of debts is an additional indication, if any were needed, of the extreme antiquity of credit."

Mr. Innes's development of this thesis is of unquestionable interest. It is difficult to check his assertions or to be certain that they do not contain some element of exaggeration. But the main historical conclusions which he seeks to drive home have, I think, much foundation, and have often been unduly neglected by writers excessively influenced by the "sound currency" dogmas of the mid-nineteenth century. Not only has it been held that only intrinsic-value money is "sound," but an appeal to the history of currency has often been supposed to show that intrinsic-value money is the ancient and primitive ideal, from which only the wicked have fallen away. Mr. Innes has gone some way towards showing that such a history is quite mythical.

J. M. KEYNES

The Economics of Enterprise. By HERBERT JOSEPH DAVENPORT, Professor of Economics in the University of Missouri. (New York: Macmillan Company. 1913. Pp. xvi + 544.)

THE inspiration of this noteworthy book, not clearly revealed till we come to its closing pages, is a determination to deal a

"knock-out" blow to the assumption of a rough coincidence between individually gainful and socially valuable occupations, privileges, or positions. No one, perhaps, would deliberately assert that such a coincidence exists, even in the large; but almost everyone assumes it as normal, and reasons as if it were almost universal. And this optimism makes a great deal of economic literature little better than apologetics, welcomed by those whose consciences need a soothing syrup, and cursed by those who realise the "wounds and bruises and putrefying sores" skinned over by the use of such words as "productive," "useful," "the supply of human wants," and the rest.

Prof. Davenport estimates that at least two-thirds of the capitalised wealth of the United States consists merely of "the present worth of the right to extract tribute from one's fellows or to plunder one's fellows" (p. 520). But this is not all. Those who are paid for "services" genuinely rendered are not necessarily paid for socially significant services. We live under an individualistically organised industrial system, and whatever produces a valued experience, for which a man will pay, counts as "service," even though it destroy the sources of experiences valued by others, and even though the experiences actually secured be destructive of character and permanent well-being.

On all this Prof. Davenport is never weary of insisting with startling frankness and with abundance of illustration, always with the objective in view of demonstrating the necessity "for someone to construct an economic science adapted not only to the requirements of the facts, but to the needs of their amelioration" (p. 528), inasmuch as we live "in a competitive society, most of the serious problems of which sum up into one great and inclusive problem: how to limit the receipt of private income to the rendering of social service" (p. 416).

By far the greater part of the book, however, is devoted to strictly economic problems, and is concerned with the consistent working out and application of economic principles now generally accepted but seldom applied with adequate firmness and thoroughness.

Underlying all is a destructive criticism of the old distinction between productive and unproductive occupations. The only ultimate "products" are necessarily psychic. Material things are means; experiences, in the widest sense of the term, are the ultimate and only product. Anything that is paid for, or that is undertaken for any deliberate purpose, is so paid for or undertaken because it is expected directly or indirectly to conduce to

desired experiences. That is to say, because it is regarded as "productive." It is its desiredness, not its desirability, that counts, and that makes it productive in the only sense in which the term can find a place in the economic science of a competitive and individualistic society. The true distinction obscurely felt under the old discussions is the difference between the more or less rapidly disappearing commodities and the more or less permanent ones. A permanent good produces a revenue as long as it lasts, and it makes no matter to its productiveness whether the revenue is of material things that may in their turn produce experiences (as in the case of a tool) or a revenue of directly desired experiences (as in the case of a work of art—or an indecent book). As long as it exists it increases the revenue of desired things.

Independently, again, of this underlying contention, though not out of relation to it, is the analysis of the fundamental phenomenon of our industrial system, the market. Prof. Davenport is to be congratulated on the precision and effectiveness with which he has demonstrated the ruling fact that the usual cross curves of supply and demand, with their point of intersection determining the price, rest on a superficial and misleading analysis. "The reservation prices of the sellers are, in the ultimate analysis, demands, and are as important to the fixation of price, and important *in precisely the same way* [the italics are the reviewer's], as are the price-paying dispositions of the seekers for goods" (p. 55). The tabular demonstration of this principle on p. 51 ought to place it conclusively above challenge.

A precisely analogous line of investigation stubs out the very roots of the "cost of production" theory of value by showing that the "cost" of any factor of production is simply its estimated significance in other branches of production, so that (like the reserve prices of the holders of a commodity) it should be incorporated bodily in the demand curve. And, finally, we might "almost as well speak of the child who chases the wave up and down the shingle as fixing the wave-front, as speak of any margin as determining the price" (p. 94).[1]

It goes almost without saying that Prof. Davenport abandons

[1] No more significant illustration of the insidiousness of the fallacies thus exposed could be found than is furnished by the fact that after all he has said Prof. Davenport frequently allows himself (deliberately) to speak of the "intersecting curves," and is occasionally guilty of an unconscious lapse such as that on p. 481, where he says that "in the long average, price cannot fall below the marginal producer's sacrifice," instead of "the marginal producer cannot in the long average maintain a position in which his sacrifice exceeds the price of his product."

the doctrine of specific laws of distribution, and especially of the peculiarity of rent as a special category. There is the law of the market, and there is nothing else. The Law of Diminishing Returns yields nothing but confusions and ambiguities until we perceive that "the principle of disadvantage from a poor combination of factors, and of advantage from a wise combination, is applicable not only to the relations of land to the other factors in production, but also to the relation of all the other factors to land, and to the relations of all the other factors to one another" (p. 444). But, unlike many other economists, our author, having destroyed the theoretical basis for a special treatment of land, resolutely declines to reinstate it on technological and practical grounds. On the contrary, he exposes all such attempts to a merciless fire, and adds the luminous suggestion that they have their real origin in the legal distinction between real and personal property. "It would, then, be a most interesting investigation, if only one had the necessary learning, to trace out the manner and degree of connection between the legal distinction of realty from personalty and the economic distinction of land from capital. That the parallelism is more than merely fortuitous may be taken as beyond doubt" (p. 510).

The general exposition of the principle of distribution, though substantially sound, suffers, in point of clearness, from an attempt to make two meanings of "marginal" (recognised as distinct) run abreast, and from failure adequately to distinguish between the declining significance of homogeneous units *successively* consumed, and the varying significance of any unit as it forms a member of a larger or smaller group of homogeneous units *simultaneously* engaged in combination with some other factor or factors. Moreover, it is the doctrine of substitutions between productive factors which gives the finishing touch to the theory of distribution and shows the complete analogy between the process by which each individual entrepreneur adjusts the estimated significance which each factor has for himself to the market price, representing the (marginal) significance of the same factor as estimated by others, and the parallel process by which the individual consumer so regulates his expenditure as to bring the marginal significance of all the articles he consumes into coincidence with their prices. Yet it is not until long after he has finished his formal treatment of the problem of distribution that Prof. Davenport gives us (on p. 428, for instance) his most luminous observations on this theory of marginal substitutions which is essential to it.

But in spite of such faults of arrangement and the like (our criticisms of which might in truth be considerably expanded), it is impossible not to be impressed by the sweep of the whole demonstration, the unifying of principle, and the absorption of apparent obstacles or contrasts into the one continuous movement from resources commanded to experiences desired.

Prof. Davenport systematically starts from the point of view of the entrepreneur, looks at things first as they appear to him, and then goes on to show that the limitations of his point of view must be transcended before the economist can be satisfied. Hence, perhaps, the title of the book. But the central portions in which the special problems of currency, banking, the loan fund, credit, crises and depressions are discussed is the part which is most closely connected with "Enterprise." At the same time, it is the least satisfactory part. It contains many good suggestions and shrewd observations, but an apparent want of mathematical precision vitiates some of the conclusions, and a clue is sometimes dropped when it seemed to have been firmly seized. Thus on p. 317 the "quantity law" is conclusively rejected. "As gold falls in the commodity market, it has to fall as money; prices go up." And, again, "The quantity of media is changed as a result—not a cause—of the changed level of prices." And yet on p. 329 we read, "It is evident that, with bimetallism once established, the supply of coin for money purposes will be greater and general prices higher than had either metal been used alone." Translate this by the formula just given, and it asserts that coining two metals at a fixed par will lower the price of both of them in the commodity market—for how else could it make more coin enter into circulation? But to detect this and other such apparent inconsistencies in a writer who has inspired so much confidence inevitably suggests to the reviewer the question whether he has really understood the author.

PHILIP H. WICKSTEED

Production: A Study in Economics. By P. H. CASTBERG, of Christiania. (London: G. Allen and Co., 1914. Pp. xvi+382. Price 5*s*. net.)

THIS is the second edition of a book first published in 1907. *The author is a banker, and the influence of his profession is* very manifest throughout the book. There is little in it which *is new to the student of economics, but the author's avoidance* of technical language and his method of analysing concrete cases

and tracing out all their connections will probably be useful to many who find it difficult to follow the more abstract reasoning of the text-books. In his prefatory note he says that the root idea of his book is to be found in § 8, "The Distribution of Production," and in § 54, "The Use of Savings." The former section explains how the producers, being unable to divide their production among themselves directly, exchange it with the traders for gold, and then again return to the traders to exchange this gold partly for goods produced in the country, partly for foreign goods which the traders had obtained in exchange for native produce. The latter shows that savings are first made in gold, but correspond to an unconsumed portion of the national produce, which is ultimately transformed into articles (factories, furniture, &c.) better fitted for accumulation. He then traces the movement of goods within the country, the exchange for foreign products, the effect of earnings made abroad, the effect of savings; in fact, the whole machinery by which goods produced are brought into consumption. The laws of distribution are not discussed, and when he touches on the share of the working classes, his training as a banker fails him. On the application of public money to "socialistic objects, such as meals to poor school children, labourers' pensions, and wages to the holders of a number of little sinecures created for persons from the lower classes of society," he says:—"The working classes receive this part of their income as a gift, whereas the producers and transformers have to work for their income." The working classes would certainly contend that meals and pensions were wages paid in another form.

A large portion of the book is devoted to an explanation of the functions of the banking system, and here he is naturally on much surer ground. Deposits, loans, bank-notes, cheques, the money market are treated at length, and the constant reference to Norwegian experience and conditions gives a certain freshness to the discussion. A chapter is devoted to "protection," and he points out that the first effect is to raise the price of the goods now produced at home. Subsequently there comes an excess of production, and the protected country is forced to export; increased competition at home will also compel a reduction of the formerly enhanced prices unless the manufacturers combine to keep them up. Small protected countries can hardly become exporting countries. Norway, with its waterfalls as a source of electricity, might become a manufacturing country, and "by submitting to the sacrifices laid upon him by the protective duty, the Norwegian of the present day may possibly

assist in making Norway, at some future time, a manufacturing country. This, however, is only a very distant possibility, so it is questionable whether the Norwegians of the present day ought on the whole to make any such sacrifice."

HENRY W. MACROSTY

Economic Notes on English Agricultural Wages. By R. LENNARD. (London: Macmillan. 1914. Pp. 154.)

THE author, though anxious to avoid a merely inconclusive result, is fully alive to the complexities of the problem of State regulation of agricultural wages. Within the limit of a small book he contrives to deal with many questions in a very painstaking and impartial spirit. The faults, indeed, seem rather on the side of over-elaboration rather than the reverse. The clearness of the reasoning is rather blurred by the author's anxiety to omit none of the many "possibilities," and this might lead a casual reader to think that the conclusions reached are much less definite than a careful study of the book would show them to be.

The author is definitely in favour of compulsory minimum wages for agriculture, and he points out various reasons for thinking that this policy would neither cause serious unemployment nor lead to any considerable reduction in the numbers employed in agriculture, though it cannot be said that the latter conclusion is reached very decisively.

The reasoning is not specially novel, but the book serves well in bringing together most of what can be said *a priori* on the subject. There is purposely no labouring of the point that wages are in many districts miserably low, because, as the author says in his preface, "a demonstration of the possibility of improvement is a sufficient reason for action without the sentimental appeal provided by a tale of horror." There is, however, a review of the data as to wages, and some interesting novel statistics of heights and weights of boys aged twelve in rural schools in a number of counties with relatively high wages, and a number with relatively low wages (pp. 83 and 84). The figures show, curiously enough, that the low-wage counties seem to have slightly heavier children than the high-wage counties. Oxfordshire heads the list with an average weight of 76 lbs. (based on 489 measurements), and Derbyshire is lowest with an average of 71·3 lbs. (3,540 measurements). The author rightly considers, however, that these figures do not refute the generally accepted view that where wages are low the worker is apt to be inefficient through

lack of adequate nourishment, and that a rise in wages may well be expected to lead to improved efficiency.

The author's theoretical argument that agricultural labour is "cheap" in the sense that "the dearest labour in agriculture is cheaper to the employer than the dearest labour in other trades" seems open to criticism. Let it be granted that agricultural labourers are in a weak position as bargainers, through inability to combine, through the fact that the demand for their services does not grow as rapidly as the natural increase in the supply, and through the hindrances to free mobility into other trades. It is still not by any means clear that they would not be employed up to the point at which the marginal labourer is just worth, to the farmer, the wage he is paid. If it were the case that numbers increased to such an extent that wages were being continually lowered, one might argue that the farmer's tendency to employ them up to the marginal point would lag behind the fall in wages. But the fact is that wages have risen considerably, showing that, in spite of "immobility," there must have been a "pull" from the outside labour market, as well as a push from inside the agricultural group. The farmer's marginal men must have been pulled away from time to time, for how otherwise can we account for the raising of wages? It seems unlikely, therefore, that there is any specially wide gap between the wages paid and the worth to the farmer of his marginal labour.

The author considers, however, that even if there is no specially wide gap of this kind, it is not very probable that a judicious increase of wages would seriously curtail employment in agriculture in the actual circumstances. In this connection it would have been interesting, however, if comparison could be made between the numbers of men employed on farms in those parts of England and Scotland in which wages are high, but in which the type of farming is fairly comparable with the type of farming in the low-wage counties, and the numbers employed in the latter. It is no use comparing the numbers employed over large areas, as is sometimes done, when the high-wage area is predominantly grass-farming. It may be conceded that increased wages, accompanied by increased efficiency, will not, in the circumstances of to-day, lead to further laying down of land to grass. One would like to know, however, whether more efficient and more highly paid labour in Oxfordshire and Cambridgeshire would enable farmers to maintain, or even to improve on, the productiveness of the farms, whilst employing distinctly fewer men, and the best indica-

tion would seem to be a comparison of numbers employed at the present day on good arable or mainly arable farms in Scotland and in the low-wage counties respectively, omitting, however, the small areas of very exceptional high-farming. It is to be hoped that the author will contrive to supplement his careful analytical study by some such comparison of facts as this.

There is another point which is touched upon briefly, but which seems deserving of more attention—the influence of the rating system. Given that a certain sum of money has to be raised locally, how far is it the case, if at all, that the raising of that sum by means of a rate on the annual value of immovable property gives a bias in the direction of keeping land as rough pasture, rather than ploughing it up or otherwise improving it? It seems probable that our system of raising local revenue may operate strongly in this direction, but it should be possible to show this by means of figures, if they could be obtained, relating to estates in which changes, one way or the other, have been made. This, it is suggested, is another direction in which more concrete investigation is possible. These are only a few of the points of interest touched upon in this book which may be unreservedly recommended to those who are interested in this very live subject.

C. F. BICKERDIKE

An Agricultural Faggot: A Collection of Papers on Agricultural Subjects. By R. H. REW, C.B. (London: P. S. King. 1914. Pp. 183. Price 5*s*.)

IN this volume Mr Rew has collected ten papers, written at various times between 1888 and 1913. Thus a quarter of a century elapsed between the date of the earliest and latest paper. The first half of the period was one of great depression in farming, the second was brightened by a slow convalescence. Five of the ten chapters, I., II., IV., VIII., and X, deal with farming and farm labour, and the other five mainly with the distribution of farm produce. The sticks would have been placed more conveniently in the faggot if this grouping had been followed, especially in view of the fact that the latest of the papers in the second group was written fourteen, and the earliest twenty-five, years before the book was published.

It appears from the introduction that the papers have been printed almost exactly as they were originally written; they have only been "slightly trimmed to lie more conveniently in the faggot." This method of publication has certain disadvantages.

Some brief addition to the chapters on Co-operation, showing the growth of the movement since 1900, would have been useful. When Chapter V. was written there were some thirty co-operative societies for the supply of farm requisites; now there are 170 affiliated to the Agricultural Organisation Society, and the turnover of one of them exceeds a quarter million pounds. A similar remark applies to Chapter IX., in which Mr. Rew gives good reasons for the adoption of the plan of selling stock by live weight. It may be gathered from a remark in the introduction that this reform has made little progress. In Chapter III., the very interesting chapter which deals with "English Fairs and Markets," Mr. Rew notes that market authorities are now bound by law to provide "sufficient and suitable accommodation" for weighing cattle, and one would have been glad to know definitely how far advantage is taken of these facilities. This chapter gives a clear account of the history of English fairs and markets and of the origin of the franchises which they enjoy. For some reason fairs were especially numerous in the eastern and south-eastern counties. Of the total number, 1,691, in existence in England and Wales in 1792 no less than 489 belonged to the counties of Norfolk, Suffolk, Essex, Sussex, and Kent. A hundred years later only 109 survived in these five counties. The reader would be glad to be told whether the few instances of taking market tolls in kind noted as remaining in 1892, when the paper was written, have outlived the criticism of a practical age, and whether octroi is still levied on goods entering the towns of Carlisle and Newcastle-on-Tyne.

Turning to the papers dealing with the history of farming, we find in Chapter I., a paper read last year to the Farmers' Club, a brief outline of the progress of English agriculture from the Conquest to the present day. It begins with a short, but sufficient, description of farming as it was practised for well-nigh three centuries, from the latter half of the eleventh to the economic revolution produced by the Black Death in the middle of the fourteenth century. Something of the same sort is occurring to-day in the north-west of India from the same cause. There the tendency to substitute contract for status in the case of village menials, which the introduction of our legal system started, has been greatly accelerated by the ravages of plague. For centuries Parliaments strove to control the movement in England, but Mr. Rew evidently thinks that the legislative restrictions imposed were really futile. The enclosure of open arable fields in the fifteenth and sixteenth centuries, to make room for sheep,

was a step in the long process which, except in the Midlands and a few counties elsewhere, had gone very far before the first enclosure Act was passed about the year 1700. The main changes in the practice and character of British farming in the last century and a half are duly noted in Mr. Rew's excellent sketch. In Chapter IV., on the "Migration of Agricultural Labourers," there is a temperate discussion of a thorny question. It was written in 1892, and an addition of a few paragraphs describing the later history of some of the remedies that have been tried would have been useful. For example, when the paper was written the encouragement of small holdings had not passed the stage of suggestion, and the extent to which the first Act on the subject, which was passed soon afterwards, and later legislation, have borne fruit might usefully have been noted.

A fuller account of English farming in the fifty years which followed the abolition of the Corn Laws in 1846 is given in Chapter II. When it was written agriculture was in an evil case. Wheat reached its bottom prices between 1893 and 1896. Mr. Rew states the fact, which is emphasised by Mr. Prothero in "English Farming Past and Present," that the main object of the Corn Laws when first introduced, and for centuries afterwards, was not the protection of any class, or even of any industry, but the securing for the nation of abundance of food at a reasonable cost. The aim was not high, but uniform, prices. The ill-judged legislation passed in 1815 made the Corn Laws protective in a bad sense, and involved the downfall of the whole system. While Mr. Rew wisely declines to dogmatise either as to probable effects of the retention of protection in the past or the possibility of a revival in the future, his final chapter on the differences between French and English farming throws some light on the former, and his remark that the demand for a minimum wage for workers may in the end involve some return to protection is worth noting. But the prudent farmer will refuse to trust to any possible fiscal measure as a means of working out agrarian salvation.

J. M. DODIE

The Land and the Commonwealth. By T. E. MARKS. (London: P. S. King. 1913. Pp. xxv + 314.)

THE "Land Question" is sweeping all before it in the political world as suddenly as Rag-time and the Tango recently swept all before them in the ball-room and the music-hall. Two or three years ago, how many politicians knew that there was such

a thing as a "Land Question"? But ever since Mr. Lloyd George announced his intention of dealing with the conditions of agricultural labour and with other problems more or less closely connected with the land, politicians of every party have been tumbling over each other in their anxiety to produce a land programme. Little wonder, then, that professional publicists and good Liberals eager to prove their value to the Party are bombarding the public with books and pamphlets on the question of the land. Reputations and money are doubtless to be made out of this new form of land boom.

These circumstances alone can explain the publication of Mr. Marks' book. Three years ago, we imagine, no publisher would have looked at it. It is indeed a purely ephemeral work, and would have no popular appeal were it not for the peculiar conditions of the moment. It makes no material contribution to our knowledge of facts, and theory it hardly professes to touch upon. It contains, in short, an analysis of the problems which would have been achieved by any person of ordinary intelligence who had read his newspapers and reviews during the last six months. Some perorations are added which would do well enough on a country platform, but do not fire the imagination when set down in print. Here is one example :—"These reforms are not idealistic : they are in every way practical. If they were adopted they would give the agricultural labourer a new interest in his toil. No longer would he suffer under the monotony and drudgery of his life : he would become a new creature, and sensible of a dignity which has too long been withheld from him."

Apart from purple patches, Mr. Marks confines himself in the main to a statement in general terms of grievances which are now familiar, and to the suggestion of certain remedies. Considerations of space make it impossible to follow him over the whole of the ground that he traverses. It must suffice to say that he travels over most of the country that is marked out for the forthcoming land campaign : rents, wages, and housing in rural districts, the leasehold system and settled estates, the assessment of landed property to rates and taxes—all are considered in turn. A volume of this size would hardly be expected to offer an exhaustive discussion of such numerous and complicated topics. Mr. Marks' book will prove of value to those who wish to master in a few hours the case against the land system, but to those who wish to enter at all deeply into the matter it will be of little assistance.

The remedies suggested also conform to familiar models. A minimum wage for agriculture, rent courts, and leasehold enfranchisement are the most prominent. The Single Tax is condemned, but the total relief of improvements from rates is recommended. Mr. Marks does not, either by abstract argument or by the submission of evidence, help us to solve the more serious difficulties in the way of introducing these reforms. He tells us, however, that the groundwork of his book was completed before Mr. Lloyd George put forward his proposals or the Liberal Land Enquiry Committee had published their report. Herein lies such importance as his work possesses. It affords one more illustration of the remarkable agreement among practical men as to the general character of the reforms needed. G. F. SHOVE

The Foundations of International Polity. By NORMAN ANGELL. (London: William Heinemann. 1914. 3*s*. 6*d*. net.)

THE case against armaments made by Mr. Angell in *The Great Illusion* was so far complete that he has found little that is really new to add to it since. His subsequent publications have been for the most part illustrations of his original arguments with reference to current events. And the present volume, a collection of lectures delivered before various colleges and institutes after the propaganda of *The Great Illusion* had attracted wide attention, is not much more than a restatement. There is, however, this difference: that Mr. Angell, having launched his theory, is now engaged in meeting hostile criticism, and different points of the case are developed and emphasised to meet the attacks of the critics. For instance, much stress is laid on the refutation of the contention, perhaps most dear of all to militarists, that human nature is unchangeable, and that men will always in cases of extreme dissension resort to arms. It is hard to believe that any self-respecting critic, after reading these lectures in which Mr. Angell demonstrates not once only that the use of force is the negation of reason, and that man's rational progress is therefore directly away from the settlement of disputes by force, can ever again put forward this absurd dogma. It is just in this matter, the exposure of popular fallacies and assertion of unwelcome truths, that the author deserves his great reputation as a pamphleteer. Regarded as a complete volume rather than a number of disconnected lectures, *The Foundations of International Polity* is guilty of much wearisome iteration. This, however, as Mr. Angell tells us in the preface, is left uncorrected out of policy.

The book is intended primarily to meet objections. And since the same point is never twice expressed in exactly the same terms, an objector may evade the reasoning in one place, only to find himself headed off thirty pages further on.

Mr. Angell's main position is so well-known that there is no need to notice it here. In so far as his arguments are directed simply against armaments and the settlement of disputes by force, they seem to be conclusive. There is, however, a weakness in the further inference which he seems to draw, that with the scrapping of armaments goes also the end of international rivalry and injustice. That this is not a necessary corollary is excellently shown by an illustration given by Mr. Angell himself of the futility of war. Over the question of the Panama Canal tolls America infringed a treaty and used an insolence towards England in the matter that in the case of Germany would certainly have involved a *casus belli*. There was, however, no war, not even a rumour of war. And why? Simply because, as Mr. Angell says, our economic dependence on America made her, so far as we were concerned, obviously impregnable. The economic was stronger than the military weapon, and we could do nothing but submit. Now this is an admirable proof of the futility of war, but it is an equally good one that the end of war is not also the end of international tyranny. It simply means that for bullying by force there may be substituted bullying by other methods. And when we realise what nations are likely to enjoy this irresistible economic force, America, Russia, perhaps China in fact all the nations least educated politically, there is no cause for very great confidence. Mr. Angell, of course, makes the point that, since eonomic and national divisions do not coincide, and it is consequently impossible in the modern world for a nation to strike economically with any certainty of hitting its adversary rather than itself, therefore international economic war is unprofitable and unlikely to take place. But to be assured of this we must wait until internal government is so far improved that it really represents the will of the nation and cannot be used in the service of vested interests; which even in the nations most developed politically is still far from being a fact.

On the subject of international rivalry as opposed to co-operation, Mr. Angell is again rather unduly optimistic. It is not the case, he says, that individuals and nations are rivals in the struggle for existence. On the contrary, so far is the Englishman from being the natural enemy of the foreigner that he is actually dependent for his very livelihood on the co-operation of millions

of foreigners whom he never has, and never can, see. Taking a short time view, this is probably true. But granting that at the present moment science and the opening up of new countries have suspended the action of the law of diminishing returns, yet natural increase must in course of time again justify the old doctrine of Malthus. When the law is acting sharply, then in a sense men again become competitors for the means of subsistence. Some solution of this rivalry must be found. Either there might be a return to wars of extermination, or, if the old international organisation was broken up, a policy of *laissez-faire* might prevail by which the fittest economically would survive; this would very possibly effect the extermination of the white races. (The black races, for instance, in America, have an economic advantage over white men in that they require less food in proportion to their efficiency.) Or, finally, if a highly-developed international polity were evolved and a government set up representing the general will of mankind, with work not of arbitration but administration, then the world might be divided in such a way as to support not those only most economically fitted, but the best men from every point of view of all races. For this solution to be reached it is evident that the political education, especially of the backward nations, must be rapidly pushed forward. Failing this we must, in spite of Mr. Angell, look forward to much cruelty, military or economic; it is not clear that the former is the worst.

F. McM. Hardman

Immigration: A World Movement and its American Significance. By Henry Pratt Fairchild. (New York: The Macmillan Company. 1913. Pp. ix+455. Price 7*s.* 6*d.*)

Mr. Fairchild's book represents the increasing disquiet with which many Americans are beginning to regard the immigration stream. He argues that the problem has changed; that the immigrants of to-day are less desirable than the immigrants of a generation back, and America less capable of assimilating them—and that, therefore, the policy of the country must be adapted to the new conditions. He looks to "some far-reaching, inclusive plan of regulation . . . in which all countries concerned will concur"; or, failing that, to a radical restriction of the numbers of immigrants until such plan can be devised. The evils which have brought about this change of feeling in America Mr. Fairchild attributes mainly to the "new immigration"; and he brings out

very clearly the distinction between this "new immigration," artificially stimulated, and derived from Southern and Eastern Europe, and the old, which was a far more spontaneous flow, from the Northern countries of Europe. The "new immigration" became important in the 'eighties, and has since increased very rapidly, while the old has dwindled. At the same time the United States has changed greatly, owing to the growth of industrial and urban life, the filling up of its vacant land, and the increasing proportion of foreign-born to native inhabitants—all matters which affect its power of assimilating newcomers. The general course of the immigration movement Mr. Fairchild sketches in several interesting historical chapters, and then devotes the main body of his book to a study of the effects of the great volume of immigration. In this respect he pays but scanty attention to what America owes in a general way to her immigrant population, but he makes a careful study of the connection between the unrestricted immigration and such developments as the decline in the native birth-rate, the depression of the wages of native workers, the increase of pauperism, the formation of racial groups, the decline in the average efficiency of the population, and the recurrence of industrial crises. Directly or indirectly, the immigrants have played some part in all these things, though it is not easy in every case to determine exactly what part.

But the immigration question is not simply economic in its bearings. In a new country its significance is very great, since it touches the making of the nation. For good and evil, the immigration stream has been one of the main influences in American history in the last hundred years. It has delayed the formation of a distinctive race and culture in America. The many new elements in the population have yet to be mingled to form a race, and their various national characteristics united in the evolution of a culture. The Americans have spread across the continent a civilisation of great material power, but it is a civilisation and not a culture, and the America of the future is still in the making. Moreover, the movement has provided a constant connection with Europe. Geographically separate, politically aloof, the United States has, none the less, been closely bound up with the life of Europe by this ever-flowing stream of people. It has not had the separate and individual development that its other conditions promised. None the less, in spite of the thirty millions of immigrants who have entered the country since 1820, the civilisation of America remains American. No part of American life has been Germanised or Italianised, or become Czech or Greek. Anglo-

Saxon ideas in politics and economics keep control, and there is no race sectionalism in the country. The superior mental force of American life has ensured this degree of assimilation, and predicates in the long run a complete assimilation. The formation of race groups, which Mr. Fairchild discusses, seems not an enduring phenomenon, but a matter affecting the first generation of immigrants; for the fact is that the race feeling of the immigrant, which differentiates him from his American environment, is weak relatively to the desire for betterment which has placed him in it, and which steadily assimilates him to it. But, though the Anglo-Saxon controls the progress of civilisation, in the long run a new race will be formed whose capacities will be the determining influence in American life. Immigration not only leads to the forming of new races, it also tends to the equalising of economic conditions between the various countries affected. The existence of a flow of population from one country to another is due to a real or supposed superiority of conditions, usually economic conditions, in the receiving country, and the effect of the flow tends to diminish this superiority. So long as America permits a relatively free immigration, immigration will continue, until the other nations of the world cease to believe that her standard of life is superior to their own. In such a process it is natural that a time arrives when the receiving country becomes apprehensive as to the loss of its relative superiority and as to the change in its race character, and contemplates the application of a reasoned policy to a process of nature. America seems to-day to be moving towards that point.

Mr. Fairchild has given us a broad, careful, and valuable study of the American problem. With the latest statistics he has been able to deal with new features in the question like the counter movement of returning immigrants, and he also writes in an interesting way of the effect of emigration on some of the countries of Europe. He has not, we think, demonstrated that America could have made her present progress had she followed a less liberal policy in this matter, or even that she could have held Western America against the Asiatic invasion, but in a sane and sympathetic way he has stated the case for a new attitude to a changed problem.

E. A. BENIANS

Social Reform, as related to Realities and Delusions: An Examination of the Increase and Distribution of Wealth from 1801 *to* 1910. By W. H. MALLOCK. (London: John Murray. 1914. Pp. xii+391.)

THE following astonishing statement, on pp. 337–8 of Mr. Mallock's book, shows the conclusions to which his examination of statistics leads him :—"The most drastic redivision conceivable of the entire present income of this country . . . would . . . yield an income of £36 per inhabitant, as against £34, which is, under existing conditions, the average per head of the classes not subject to income-tax; and the increase would be more than neutralised by the equalisation of taxes, rates, and savings. The average net income per family of five persons, in which such a redivision would result, would be theoretically about £130. The average net income per family of the classes not subject to income-tax is, at the present time, about £150."

So far as can be gathered from the extremely confusing arrangement of the book, which contains no table, no cross references, an erroneous index, much repetition, and interminable verbosity, the figures quoted are obtained as follows :—

	£000,000.	
Assessed to Income Tax less exemptions	820	
Subtract extra allowance for upkeep	100	
		720
Subtract also :		
Income from abroad ...	190	
Fancy values	30	
Saving	160	
		380
Available income above £160 ...		340
,, ,, below £160 ...		1,300
Total available for division ...		£1,640

	£000,000
Total national income	2,020
Above £160	720
Below £160	1,300

Space does not permit the examination of each of these totals, no one of which is certain. The subtraction of the £100,000,000 for upkeep of capital is based on the idea that the sum of £175,000,000 estimated for this purpose in the Census of Production is all of it returned as income, and ought therefore to be exempted, instead of the £67,000,000 actually allowed. There seems to be no reason for accepting this view. The "fancy values" are inflated values of services and houses which depend on the existence of large incomes. The amount below £160 is obtained by subtracting the corrected income above £160 from the supposed national total. This total is supposed to come from

the Census of Production and to be accepted by expert statisticians (p. 114); actually so large a total has generally been obtained by allowing for undeclared foreign and home income, and not allowing an additional sum for upkeep, and in fact only 1,000 to 1,100 millions has been generally included for income below £160.

Taking this deflated total for higher incomes and inflated total for lower, Mr. Mallock assumes that there were 1,400,000 income-tax payers in 1910, thus calmly adding 300,000 to the estimates generally made, and recently confirmed by the statements connected with this year's Budget. He then assumes that to each income-tax payer corresponds a family of five persons, making no allowance for the possibility of two income-tax payers in a family, and (in another connection) assuming that a family that has one income-tax payer contains no other earner. He next plays about with the Census of Population figures till he has two and one half incomes per non-income-tax paying family (wage-earners or middle class); or, to put the arithmetic otherwise, he finds 38,000,000 persons in 7,600,000 households to participate in his £1,300,000,000, and so obtains £170 per household, or £34 per person. Most statisticians would give about £25 per person. He gets £36 per person (all classes together) by dividing the national income reduced by income from abroad and savings and fancy values by the whole population; £40 would be quite as reasonable an estimate on his basis. Thus the figures in the first half of the sentence are obtained. He assumes that the classes not subject to income-tax save or pay in rates and taxes £20 a year, and so gets £150 per annum as their net income "at present" (the dates to which his figures relate are very vague). He then makes a most astonishing blunder; for having already subtracted £160,000,000 for the savings of the income-tax paying class, he takes it off over again, and reduces his £1,640,000,000 by a further £450,000,000 for taxes, rates, and savings, and so arrives at the £130 net income per family in the second half of his quoted sentence. It may be wondered whether the author's numerous following will accept his discovery that the families of the well-to-do, if it were not for income from abroad, would spend less than the working-class.[1]

This resulting statement is only the climax of a series of grave misunderstandings and mishandlings of current statistics, com-

[1] Apart from this mistake Mr. Mallock's average income-tax-paying family appears to have £515, of which it pays £100 in rates and taxes, saves £115, wastes £20 in expenditure at fancy values, and has £280 to spend. Of the whole, £140 comes from foreign investments. The mistake leaves him only £165 to spend.

mitted without any knowledge of their inadequacy for the author's purpose or any perception of the cumulation of errors to which a continual bias in selection leads. If this were only an incident in an otherwise important work, it would not be necessary to emphasise so much this statistical ineptitude; but the whole purpose of the book, in spite of its misleading title, is simply an attack on what the author regards as the programmes of various schools of Socialists and Radicals, and the principal weapon used is criticism of the statistical statements they are supposed to have made. There has, no doubt, been gross exaggeration by some speakers and writers of the proportion that unearned income bears to earned, and a sober and straightforward criticism of any mistakes which are still currently held would be of great service; but the writer of the sentence which I have endeavoured to pillory is not entitled to accuse anyone of bias or of mistakes.

The way in which Mr. Mallock garbles his quotations is nearly as serious as his abuse of statistics. For example, he has "discovered" the detailed report of Pitt's income-tax statistics, which he quite erroneously supposes not to have been known,[1] and to which he attaches undue importance; in dealing with them he adds one-eighth to all without explanation; he assumes that there are only five persons to a family, takes all persons with less than £160 in 1801 as belonging to the working-class, divides £60 by 52 and gets 22*s*. as the quotient, and manages to give the reader the idea that all this is to be found in an official report published in 1802 collating incomes and population; this he does by not distinguishing the statements in the reports from the deductions he makes himself (pp. 53–5).

On pp. 131–2 he quotes from the British Association Committee on small incomes, which he says received "semi-official assistance of an exceptional kind" (which was not the case); this he merges, on pp. 57–8, with the Wage Census of 1906, of which no summary report has been published, and which excludes agricultural labourers, coal-miners, and other important classes, and his wording gives the impression that the very hazardous statements with which he follows are made on their joint authority. His actual words are: "It appears from a comprehensive analysis of the Board of Trade Returns, supplemented by the results of a semi-official enquiry, recently carried out by a committee of well-known economists, that . . . about 2,000,000 [adult male workers]

[1] *Statistical Journal*, 1914, p. 200 and p. 676. Any one can find the figures the author uses by spending five minutes intelligently in the Newspaper Room of the British Museum.

earned less than 22*s*. a week, etc." Nothing resembling this statement is to be found in the Committee's report or the Board of Trade Returns; it is entirely Mr. Mallock's.

On p. 350 he gives, on the authority of the present reviewer, statements, relating to the year 1880, of the income of the population per head and of the working-class per head. The book to which he refers deals with 1882 or 1883, not 1880, and does not give any of the statements he makes.

We are promised a book in the near future as to rational constructive reform, now that the author has demolished the fallacies of his opponents; but we can hardly hope that it will be very helpful, for the author regards existing discontent as quite unreasonable, and does not understand that among its principal causes are the perception, or belief, that real wages have recently been stationary and falling, and that there is an enormous amount of poverty due to sheer inadequacy of current wages of regular unskilled labour to maintain a tolerable standard of living.

A. L. BOWLEY

Insurance and the State. By W. F. GEPHART, PH.D. (New York: The Macmillan Company, 1913. Pp. xiii. + 228. Price 5*s*. 6*d*.)

DR. GEPHART, who is Professor of Economics at Washington University, deserves credit for having written on a subject which, as he himself laments, has received from the standpoint of "formal study and writing . . . surprisingly little attention in the United States," and which has certainly received scant attention in England.

The plan of his little book is a good one—he divides it up roughly into three equal parts, dealing respectively with the nature and relation to the State of Life, Fire, and Social insurance,—for clearly each branch has its individual problems. Closer study of it, however, leads to disappointments. The first is due purely to the scope of the inquiry: the author looks at things as an American and a good deal of his argument cannot be applied at all to the solution of English difficulties. Insurance in America is under the eye not of the Federal Government, but of the individual States, the result being a medley of conditions analogous to the confusion that used to exist in the States of Germany. It is another instance of the peculiar legislative difficulties of the United States to which, for instance, Professor Taussig calls attention: "The national Government lacks constitutional power.

The several States cannot act in unison, and yet are deterred from proceeding separately by mutual fears and jealousies." The manner in which Germany attacked the problem of social insurance is well known, but she also reduced the rest of her insurance system to order by the very important measure of 1901, just as thirty years or so before she had grappled with the chaotic conditions of her currency and banking. What exactly Dr. Gephart proposes for America is not clear. We gather, though, that State insurance to him means, not a system of complete control by the Federal Government, but a more perfect supervision on the part of each separate State with a greater degree of uniformity as between them all. Even then he is not at all settled in mind. Thus at one moment he is inclined to be light-hearted about constitutional barriers: "Constitutions and laws . . . present but temporary obstacles to the assumption or even monopolisation of the insurance business by the State" (p. 9); at another he is palpably depressed: "What troublesome questions might arise under . . . provisions of the federal constitution in the event that a State should endeavour to monopolise insurance cannot be predicted" (p. 79).

The book, whilst American in outlook, does not, it is true, altogether ignore the conditions in other countries, but little attempt is made to apply the experience of those countries to American problems, and the chapter on "State Insurance in Practice," which aims at summarising what other countries have done, is valueless. Germany, to take one example, is dismissed in four lines (its social insurance is promised consideration later, a promise which is very inadequately fulfilled), the burden of the four lines being that some German States, such as Bavaria, furnish instances of public insurance, but no example of State monopoly. The truth of the matter is that Bavaria itself presents a typical example of State monopoly.

Even within the limits set by the scope of the book, there are serious defects. To do Dr. Gephart justice, his preface modestly claims to raise rather than to answer questions. Throughout, however, the great broad questions at issue are not brought easily or naturally into our minds. For instance, there is not sufficient insistence upon compulsory insurance and State monopoly as two distinct proposals, and those points to which Dr. Gephart does give more emphasis are rather confused for us by his entirely laudable desire to be perfectly fair to both sides. It is, in fact, rather as if private and public insurance had been started off tied neck to neck, so that if one

should get in front it could not in any case be very far in front, or for very long; and if Dr. Gephart does not actually back them both, at any rate he cannot bear to see either of them beaten. Such a fault, all the same, is akin to virtue: there are others which need more excuse. The assertion that voluntary insurance in America far exceeds in volume the insurance of the rest of the world (p. 5) has no particular bearing one way or the other, but is difficult to reconcile with figures. The preliminary inquiry into the character of insurance in general affords an example of the sort of looseness of reasoning which manifests itself at times. Insurance is defined as the combination of a "number of individuals necessarily exposed to a risk for the purpose of collectively assuming, and therefore distributing, a risk otherwise borne by the individual" (p. 5). Any attempt to apply the definition to life insurance leads to absurdity. We are told later on that death, among other things, is a risk in this sense, and again that insurance is a means of reducing such risks; from all of which we should have to infer that death is a risk which is reduced by insurance because of its being thereby shared between us and others.

When we come to the section on social insurance, we still find our attention directed almost exclusively to the American position, and America alone of leading nations clings to the idea of a limited responsibility for accidents on the employer's part, *i.e.*, responsibility only when his negligence can be proved. All the evils that can result from that attitude are present in the United States—the long-drawn-out law-suit, the growing friction between man and master, the hope of a prize and the fear of a blank in the lottery in which not only injured workmen, but hosts of unscrupulous lawyers take part. In a word, the attitude typified by such a passage as the following becomes inevitable: "It was not to be expected . . . that the insurance company should serve the working men. . . . The company could not at the same time be a protector to the employer against his workmen and a preserver of the interests of the workmen" (p 188). Here the two broad issues are, therefore: first, should the present system remain or should the principle of virtually complete liability be adopted? and secondly (*a*) should there be compulsion to insure? (*b*) should there be State institutions either with or without monopoly? These two issues Dr. Gephart fails to keep distinct. He confuses us at the outset by stating that "most of the important European countries have made this form of insurance compulsory" (p. 183), when apparently what he means is that

they have recognised the principle of the wider liability of employers. At least, one can only adopt that interpretation of his words in view of his subsequent statement that the character of social insurance makes compulsion "the only possible working basis" (p. 183), when in truth the English system offers an outstanding instance of a liability imposed without any restrictive regulations at all as to insurance. There is nothing in the world to compel an English employer to insure in any institution against accidents to his men, except perhaps his common sense. The author does not defend present conditions in America (which in some of the States are undergoing modification), but he again confuses the issue by using the fact of some of the existing evils as an argument in favour of a State monopoly, when possibly they only constitute an argument for a new law of liability. Things become further complicated when he first assures us that "it is not because of any lack of constitutional power to regulate the private companies that a State monopoly should be urged" (p. 186), and then offers us, as reasons for urging it, alleged ailments of the insurance organism which seemingly the kind of regulation spoken of could cure. It must in fairness be added that possibly some of the statements made are not to be regarded as indicative of what Dr. Gephart thinks, but of what other people think. Frequently throughout the book it is difficult to decide by whom an argument is being advanced, whether by the author himself, or by the man on the other side of the fence.

There is, then, no broad statement of the case, no clear presentation of the issue—or surely we should have some reference to the contrasting modes of dealing with the problem illustrated so conveniently in English and German methods respectively. Certainly the author does refer in his concluding chapter (which devotes some dozen pages to sickness, old-age and unemployment insurance without adding anything to our knowledge) to German social insurance as a whole, and oddly enough this one subject is evidently regarded as being quite non-controversial: "In Germany social insurance commands the approval of all classes by its results. It has produced a powerful effect in the . . . life of the German people, and has doubtless had not a little to do in bringing to the Germans that reputation which they have for industrial efficiency" (p. 220).

The impression with which this final section of the book leaves us is that social insurance is good, but State social insurance is better, and an equal mixture of State social insurance and voluntary social insurance is best of all; that in any case it is to be

questioned whether a system of social insurance by the State is possible when you have America to deal with; and anyhow you can never tell, for "it is manifest that experience alone can prove or disprove many of these contentions" (p. 207).

A. FINGLAND JACK

A History of Socialism. By THOMAS KIRKUP. Fifth edition, revised and largely rewritten by Edward R. Pease. (London: A. & C. Black. 1913. Pp. ix + 490.)

THIS book, the first edition of which was published in 1892, has for some time been recognised as the best brief introduction to the theories of the most famous Socialists. In the present edition considerable changes have been made by Mr. Pease, the Secretary of the Fabian Society. The first nine chapters, which deal with Socialist thought from St. Simon to Marx, and with the beginnings of the modern Socialist movement, are virtually unaltered. Additions have been made to Chapters X. (Revolution in Russia) and XI. (Anarchism and Syndicalism). Chapters XII. (The Progress of Socialism Abroad), XIII. (The Modern International) and XIV. (The English School of Socialism) are the exclusive handiwork of Mr. Pease. The two final chapters are a condensation of the six final chapters of the previous edition, in which Kirkup attempted to "interpret" Socialism to his readers.

Mr. Pease has also added some appendices, including the Basis of the Fabian Society and a chronological list of general strikes, beginning thus (p. 467):—

"B.C. 494. Italy. Rome. Plebeians marched to the Sacred Mount. Complete victory. Syndicalists regard the success of the first recorded general strike as a good augury."

But, apparently, there were no more general strikes till 1874!

It is doubtful whether Mr. Pease's revision has improved the book. Kirkup was concerned, primarily, with *men*, with the theories of bold and original, though often grossly inaccurate, thinkers. Mr. Pease is concerned, primarily, with *movements*. He is, indeed (p. ix.), "convinced that historians will recognise that the successor(*sic*) to Karl Marx in the leadership of Socialist thought belongs to Sidney Webb," but of the thought of Sidney Webb, or of any other modern Socialist, he has very little to say.

On the other hand, he has much to say of the procedure at International Socialist Congresses, of the circulation of various Socialist journals, and of the details of Socialist organisations, from Bulgaria to the Argentine. Most of this rather tedious information

is quite out of place in a book of this type. Further, the electoral statistics, with which Mr. Pease makes great play, do not bear the interpretation which he seeks to put upon them. The growing strength of the so-called Socialist parties throughout the world is no index of the growth of distinctly Socialist opinion. All Socialist parties, as measured by their strength at the polls, contain, no doubt, a nucleus of genuine Socialists, but there is no reason to suppose that this nucleus is ever very large. Most of the four million Germans who voted Social Democrat at the last elections voted for Parliamentary Government, for freedom of speech and public meeting, for a lowering of the tariff, and, no doubt, in a general way for social reform and against certain features of the existing order. But they did not vote for the nationalisation of any of the means of production, nor is there any evidence to show how they would vote on such an issue, unless it be the naïve passage in which Mr. Pease informs us (p. 313) that in North Germany "any proposals for increasing State management of industry are distasteful to the Social Democrats, because they would limit the political freedom of the workpeople concerned" !

What is true of Germany is true, with slight modifications, of most other countries. The so-called "Socialist Movement" is a movement not towards more socialistic forms of industry, but towards more democratic forms of government. The advance of the Socialist movement is not the same thing as the advance of Socialism.

The weakness of such a passage as the following (p. 307) is, therefore, obvious :—

"As the conversion of Europe to Christianity occupied approximately 1,000 years, and went on steadily, irresistibly, and without substantial check, so the conversion of Europe to Socialism is proceeding as steadily, as irresistibly, and with even less sign of reaction, and at ten times the pace, so that it is hard to believe that within a century of the death of Marx any civilised country will remain where it is not triumphant."

As might be expected, Mr. Pease has much to say in praise of the Fabian Society (pp. 367–381), and gives us a frank description of its methods and point of view. The characteristic Fabian habit of mind is said to be partly due to the fact that several of the original Fabians were in Government service as first division clerks. "To men in such service many ways of influencing political action are apparent which the outsider cannot realise. The country is not so much governed by the votes of the electors as by the ideas put

into the heads of official persons . . . know more than other people, know what you want, and you can make other people carry out your ideas" (p. 379).

We have here an interesting exception to the general rule that the Socialist movement throughout the world is a democratic movement.

But it seems probable that the historian of the future will assign to the Fabian Society a slightly less prominent place in the world's history than does Mr. Pease.

HUGH DALTON

The Civil Service of Great Britain. By ROBERT MOSES, Ph.D. (Columbia University Studies, Vol. lvii., No. 1. New York: Longmans, Green and Co. London: P. S. King, 1914. Pp. 324. $2.00.)

THIS volume does not purport to be a detailed study of either the history or the present organisation of the British civil service. It is an account, and in the main a panegyric, of what the author regards as the "brilliant and far-sighted plan to attract the most intelligent and capable young men in universities into the Government service," by means of a system of competitive examinations and the broad division of the service between a comparatively small, highly educated class recruited (in fact, though not formally) from a limited field, and a large, moderately educated class of officials admitted by examinations of a lower grade, and debarred from rising, save in exceptional cases, into the higher division. Dr. Moses gives a useful account of the discussions in which this scheme took its rise, the criticisms which it has encountered from time to time, and the various official inquiries into its operation, ending with the present Royal Commission; and though his work contains, in this respect, little that will be new to English readers, it offers to American readers a valuable addition and corrective to the classical work of Eaton.

The main purpose of Dr. Moses is to urge the introduction of a similar mode of recruitment into the federal service of the United States, whose present system is "to attract a very miscellaneous and often ill-educated division of clerks by quasi-competitive examinations of the lowest conceivable standard, and to wait in vain for them to develop first-rate administrative ability." With this purpose in mind, it seems a little unfortunate that the publication of the work before us could not have been

deferred until after the issue of the Report of the Royal Commission appointed in 1912 (the evidence is extensively used). It is no doubt interesting to the American reader to learn that, in Dr. Moses' opinion, "with due regard to the evidence, the present Royal Commission can hardly come to other" than certain conclusions; it would be more practically useful for him to know the conclusions actually reached, and a delay of a very few months would have made this possible. Admittedly, on some important points Dr. Moses has anticipated the findings of the Commission. Thus his dicta (p. 242) that "free education from the primary schools through the universities in liberal arts or science be insured to every ambitious and deserving pupil; that the Civil Service examinations for such positions as boy clerkships and second division clerkships be arranged in conformity with primary and secondary education standards, so as to encourage and stimulate effort in the free schools," and that "the examinations for Division I. be modified so as to attract more men from the new universities," are in substantial agreement with the recommendations of the Commission (Nos. 1–4, p. 101 of Cd. 7338). He recognises, as all students have done, the evils of the boy-clerk system, and the very unsatisfactory position of the assistant clerks, but his suggestions for dealing with these matters fall somewhat short of the proposals of the Commission. On the other hand he appears to find rather more justification for the complaints of the second division than the Commissioners were disposed to do; in his judgment (p. 241) "there is not enough promotion from Division II. to Division I.," whilst the Commissioners are of opinion (p. 61 of Cd. 7338) that "the opportunities of promotion for clerks of the second division have been in the past amply sufficient both to reward merit and to satisfy all reasonable expectations." Both the Commission and Dr. Moses think, however, that for such promotion as is given the minimum period of preliminary service in the second division should be reduced (the Commission recommend that six years should be substituted for eight).

The present work is of interest to English readers chiefly for the information it furnishes as to the recruitment of the federal civil service in the United States so far as the principle of competition prevails. We have space here only to mention the "apportionment" theory, under which each State has its fixed quota of places in the service, so that a candidate from Massachusetts with high marks in a competitive examination may be

passed over in favour of a candidate from Utah with considerably lower marks, if Utah has not yet received its full quota; "bidding for salaries—the practice by which a candidate indicates the lowest salary he is willing to accept"; and the generally low level of salaries ($3,000 being a maximum only very infrequently surpassed). This last fact combines with the absence of adventitious attractions (of social standing, or other) to produce the result that it is very difficult for the departments to retain their officials for any length of time—in 1907 there were 15,289, and in 1911, 11,153 resignations from the United States civil service, and the Patent Office "has become merely a post-graduate school for the technical and legal education of young college men"—135 out of 300 examiners resigned in five years, most going into the service of great private concerns. Some specimen examination papers for the first grade clerkships in the U.S. service are printed in an Appendix, with the comment that "even the boy clerks in England would scorn such examinations as tests of education." For the extension of the range of competition, for the raising of the standard of examination requirements, and for the general uplifting of the service, the author, like reformers in so many other fields, appears to pin his faith to President Wilson.

There is a full table of contents, but the absence of an index is unfortunate. And finally, we cannot but regret that Dr. Moses should have thought it necessary to repeat, with regard to certain specified persons, both in this country and in the United States, irresponsible allegations as to the reasons for their appointment to particular posts. To do so can serve no useful purpose, and so far as they relate to the United Kingdom, Dr. Moses might well have imitated the reticence of the Royal Commission.

PERCY ASHLEY

Capital and Labour. By W. T. LAYTON, M.A. (The Nations Library: Collins. 1914. Pp. 260. Price 1*s*.)

STARTING from the fact that the present unrest is not the work of mere agitators, but is based on moral causes and guided by ideals, Mr. Layton sets out to describe the relations of Labour and Capital with a view to discovering a fair *modus vivendi.* He accepts the wage system, failing any practical alternative to the method of distribution, which aims at apportioning reward to the value of service rendered. He adopts, and concisely explains,

with historical verification, the theory of wages as based on "marginal productivity," and holds that it is sufficient that this should work out in one great industry, so as to give a basis of reference; the relative amounts of capital and labour, reflected in the relative intensities of their demand for each other, determine the marginal values at any time. Mr. Layton treats profit as a third element, but I am not sure that this does not overlap his general analysis, his chapter going to show how the share of Labour may be kept down by what amounts to a misrepresentation of the amount of capital, by watering, or other failures in accounting. The problem of wage changes in relation to price changes is worked out by the distinction between those price changes in food which are due to increased pressure on the world's resources, and those in manufacture, which may be due to organisation. The former changes do not alone establish a claim, unless in the latter case there is an increase in efficiency. And this of course exists, it may be added, if the rise in price is general, as the author points out; since efficiency is a product of output and price. The chapter on Efficiency includes an interesting discussion of Scientific Management; and while Mr. Layton is adverse to this, and to other such schemes as Profit Sharing, his chapter on Competition amounts to a claim that this economic force should itself be "managed" in various ways, if it is to work fairly. The whole of this argument is summed up in a chapter on fair wages; in which is added the suggestion (p. 152) that the test of Capital's worth should be applied "not to the least successful firms, but to the normally successful concerns." Is not this a deviation from the general marginal analysis? For if the least successful give up, the present normal will become the new margin, and the argument will repeat itself. What Mr. Layton is urging is that the conception of the margin should include efficient use of labour, capital, and management, and not only that of the *actually* least advantageous production. The remainder of the book is a descriptive study of the machinery, here and abroad, of wage fixation. The range of information is as wide as the statement is clear. There is no summary of the position more concise and scholarly, and the author has again rendered valuable help toward the understanding of our present position.

D. H. MACGREGOR

Die Berufsvereine. Von W. KULEMANN. Zweite, völlig neu bearbeitete Auflage der *Gewerkschaftsbewegung*. Erste Abtheilung: *Geschichtliche Entwicklung der Berufsorganisationen der Arbeitnehmer und Arbeitgeber aller Länder*. Vol. IV.: *England, Frankreich, Belgien, Holland, Luxemburg, Dänemark, Schweden, Norwegen*. Vol. V.: *Österreich, Ungarn, Schweiz, Italien, Spanien, Russland, Finnland, Serbien, Bulgarien, Rumänien*. Vol. VI.: *Vereinigte Staaten von Amerika, Kanada, Argentinien, Australien, Neuseeland, Japan, Internationale Organisation*. (Berlin: Simion Nf. 1913. Pp. xxiv + 560; viii + 551; viii + 336. Price, separately, 12, 12, and 8 marks; together, 30 marks.)

THIS is one of those colossal collections of information wherein our German friends delight. Its character was sufficiently indicated in the review of the first three volumes, devoted to Germany, which has already appeared in this Journal (XIX., 271). Having disposed in those three of his own country, Herr Kulemann now proceeds to give us in three more the facts for the rest of the countries of the world, ending with a brief account of international organisations. His method is as before: systematically to boil down the annual reports in chronological sequence of all the chief organisations—*e.g.*, the Confédération Générale du Travail, the English Trade Union Congress, and so on. These reports are extraordinarily full of interest; and Herr Kulemann is quite justified in maintaining that the chief divergences of opinion in the labour world do, on the whole, find pretty adequate expression in them. But, of course, such a method of treatment does not make it easy to take a general view and discover the relative proportions of things; and the effort which the author has made to supply the defect, by furnishing us with substantial introductions to the trade union history of each particular country in the shape of sections on its geography, history, constitution, and economic conditions, do not really alter the character of the book. It is, in fact, a *Sammelwerk*, systematic, honest, intelligent, but quite uninspired; materials for a book rather than a book itself. But then observe that these six volumes are only the first part of the undertaking: the author promises to give us later his own conclusions and opinions. Meanwhile, let us be thankful for what we are given. I cannot profess to have read all through the three volumes, but I have read three or four hundred pages in the countries that interest me most, such as France and the United States, and everywhere I have found the

work quite competent within its range. Everybody making a serious examination of trade unionism in any of the industrial countries of the world will be wise, for some years to come, to read the solid section on it in this book quite early in his studies; and it ought to find a place in the library of every university and every great city.

W. J. ASHLEY

Child Labour in the United Kingdom: A Study of the Development and Administration of the Law relating to the Employment of Children. By FREDERIC KEELING. (London: P. S. King. 1914. Pp. xxxii + 326. Price 7*s*. 6*d*. net.)

AT a time when so many books are being written to urge this or that thesis with regard to the labour problem, a work such as Mr. Keeling has just brought out, on behalf of the British Section of the International Association for Labour Legislation, is particularly welcome. For there is little in it of the controversial, and much valuable information in the field with which it is concerned. It will make us realise how inadequate our knowledge of this particular subject has hitherto been, and how often we have accepted opinions ready made; since on so intimate a question as employment most of us find it impossible to reserve our judgment.

The main title, which alone appears on the cover of the book, is perhaps a little misleading; for it is not child labour as a whole with which Mr. Keeling deals, but only, as his sub-title tells us, its regulation by legislation. There are two other important limitations to his treatment of the subject, which are explained in the Introduction. The term "child labour" is restricted to the work of boys and girls under fourteen (with the exception of street traders, of whom he treats up to the age of sixteen); and the employment of children under the Factory and Mines Acts is omitted altogether.

Each of these three limitations has the effect of confining the scope of the book more than we should wish: and they all tend to encourage the view that young labour is simply an evil, with which we are only concerned in order to reduce or even abolish it. The inadequacy of this view is at once apparent; for certainly the extreme youth of certain workers, and the legal restrictions which this necessitates, are not the only aspects of the matter which are of interest. There are, for instance, such important questions as the relation of employment as a whole to education,

and the relation of a child's earliest employment to his later work as an adult. Both these questions would remain even if the minimum age for all kinds of labour were raised to-morrow to fourteen; but, if we would profit by the experience of the past, we must be willing to study them even as they affect younger children, most of whom, we may agree, ought not to have been employed at all.

As to the first, Mr. Keeling makes a suggestion which merits more detailed consideration than he has given to it. It is that something similar to the half-time system, which is rightly regarded as an evil in the case of the young children with whom it has been tried, might well be considered in connection with the work of boys and girls over fourteen. He reminds us of the saying of Karl Marx, that a combination of education and employment is "the only method of producing fully developed human beings."

The other question to which I have referred is avoided by Mr. Keeling, largely because he evidently believes that "the proportion of juveniles who enter the different classes of occupations" depends upon the amount and kind of employment available, and is not materially influenced by the will of the workers, however wisely directed. He is inclined to minimise also the extent to which the conditions of employment can be improved by anything save direct legislative restriction. Yet, is it not the case that juvenile labour has already been greatly diminished or greatly improved in its conditions in certain trades by such local authorities as have made a judicious use of Labour Exchanges and Care Committees?

Notwithstanding these limitations, the book is of great value. It is primarily a work of reference, and the wealth of detail which it gives will only increase its usefulness. There is an interesting chapter on the history of child-labour legislation, and another devoted to central and local administration; but the great bulk of the book consists of the actual text of laws and bye-laws, and tables illustrating their creation and working. There is material enough in it for a whole library of theory and argument.

ANNE ASHLEY

Markets for the People: The Consumer's Part. By J. W. SULLIVAN. (New York: Macmillan Company. 1913. Pp. viii+316. 5*s*. 6*d*. net.)

THIS book appears to have been written largely to influence public opinion in New York in connection with municipal market

schemes, but it is not without interest to a much wider circle of readers. Mr. Sullivan's purpose is to indicate certain ways of reducing the present high cost of foodstuffs to consumers in New York. There are the familiar precepts about the economy of buying in large quantities, and the desirability of studying the dietetic value of foodstuffs—precepts which a large part of the community has no means or intention of putting into practice. But the author's principal task is to show how a reduction might be effected in the present costs of distribution in New York, using the term distribution in the mercantile sense. "An increase in the price of foodstuffs between country producer and city consumer" is declared to be, so far as New York is concerned, "far beyond that warranted by service." The transportation companies are, however, held innocent of charging excessive freights, so that the wholesalers, jobbers, and retailers are left as the guilty parties, and of these it is the retailers who are chiefly arraigned. "For New York, the costs of retailing are double or treble the costs of wholesaling. Therefore, in the consumer's task of cutting down costs his first attention is due the retailer" (p. 5). Obviously, the first of these statements should be proved by extensive investigation into producers' costs and wholesale and retail prices. This is a most difficult task, and although some price statistics are given in the book, they are too inadequate to support the generalisation quoted. In other respects, also, the author does not give the retailer his full due.

The main thing, however, is to discover means of cutting down the costs of retailing. Mr. Sullivan finds such means in the multiplication of a retailer whose working expenses are lower than those of the ordinary shopman. This retailer is the "pushcart man." We already have him with us in large numbers in the guise of the costermonger or hawker. He is by no means unknown in New York, but the authorities, apparently, do not take kindly to him, and Mr. Sullivan accordingly pleads strongly on his behalf for the benefit of the poorer classes of consumers. There is no doubt that the coster's prices are frequently below shop prices, and his stock frequently (but not always) as good as that sold in shops. But Mr. Sullivan is inclined, perhaps naturally, to exaggerate the probable saving to the consumer from the pushcart trade. The latter, at any rate so far as it is ambulatory, is mainly concerned with fruits and vegetables, and these, after all, absorb but a small proportion of the average working family's outlay on food.

But the pushcart trade is to be supplemented by an extension

of open-air markets free, or almost free, of fixtures, functionaries, or rents (other than, perhaps, nominal fees). These markets are said to be at present illegal in New York, although tolerated in certain places. In such markets one would expect to find a greater variety of articles for sale than the ambulant coster generally provides, and the possible margin of saving to the consumer is extended.

These are the author's principal suggestions, and they are in opposition to schemes for expensive municipal markets. There are also suggestions for making use of the large private stores in the case of articles not suitable for sale by the "pushcart man" or in the open-air market; for co-operative buying; and for a greater use of existing public markets in New York for the improvement of wholesale buying. There are interesting and useful chapters containing brief sketches of the "pushcart man" and the open-air and other market systems in Paris, Berlin, and London, all written to point a moral for New York, and a chapter on Co-operation in Great Britain, and the reasons, some of which are rather feeble, for the failure of co-operation in the United States.

The place of the costermonger and the free open-air market in the social economy of to-day, and their effect on the ordinary system of retailing and on retail prices are well worth serious examination. Mr. Sullivan's book does not dispose of the subject, but the author has performed a useful service in directing attention to it.

A. D. WEBB

British Railways: A Financial and Commercial Survey. By W. R. LAWSON. (London: Constable and Co., 1913. Pp. xxxii + 320. Price 6*s.* net.)

MR. LAWSON has set out in 300 chatty, desultory pages his opinions on many matters connected with railway management and railway finance. He would probably not claim for his book any great scientific value; certainly it is no text-book. There is a quality of "go-as-you-please" about his methods which, to the serious critic, would be irritating, if by their very *naïveté* he did not find it disarming.

Mr. Lawson's attitude to English railways is critical, but he is no embittered critic, and he is prepared to make allowances. Many of his general criticisms are shrewd and sound, though it cannot be said that they are new or that they are presented in a

very convincing fashion. On the contrary, Mr. Lawson does his worst to discount their value by drowning them in what one can only call a welter of inaccuracies and irrelevancies. Indeed, it must be said of him, as was said of Lord Byron, that "he wields his pen with the negligent ease of a man of quality." He has a sound belief in statistics; one of his most pertinent suggestions relates to the urgency of compiling proper statistics of working costs; yet one has only to turn over the pages of his book to see that he has no head for figures, or indeed for exactitude of any kind. The number of merely arithmetical errors is considerable—nor can they be set aside as mere misprints when, as on page 114, Mr. Lawson founds his argument on a patent error in a simple addition of three figures.

In common with many more well-known authorities, Mr. Lawson laments the lack of adequate statistics of British railway operations; but it may be doubted if any of them have resorted to such bold expedients to make good the deficiency. On one occasion, in the absence of essential data, he will improvise a most hazardous assumption and follow it out to conclusions which he himself regards as paradoxical, but without feeling any apparent doubt as to their validity. Or, again, by manipulation of the published figures for "tonnage hauled" and "train-mileage" he will invent the strange and bewildering unit, "tons per train-mile." We wish he had explained what he meant by this unit; we cannot help thinking that if he had entered on this line of thought he would have recognised with his usual candour that without the element of distance as affecting the "tonnage hauled," it is impossible to bring that unit into relation with "train-mileage"; and so the school of Acworth and Paish might have received a recruit who, if we may judge from the reference he makes to the subject elsewhere in his book, is already more than half a convert to the theory of the "ton-mile." It seems probable also that if Mr. Lawson had given the matter more consideration he would have corrected the curious series of arithmetical errors which gives, for instance, to the Brecon and Merthyr Railway 10,280 "tons per train-mile," while allowing the Caledonian Railway no more than 4·1.

Mr. Lawson devotes chapters of his book to such subjects as "Terminals and Terminal Charges" and "Exceptional Rates and Services," but on these more technical questions his knowledge is of so superficial a character and his method so slipshod as to render the chapters almost entirely valueless. On the other hand, he has a certain *flair* for movements of popular opinion, and the

chapters dealing with the "Political Relations" of the railways contain much that was worth saying and is well said. These chapters, together with a few suggestions offered at random in the remaining 250 pages, constitute the only claim which Mr. Lawson's book can really make to serious consideration.

RALPH L. WEDGWOOD

The Trade of the World. By JAMES DAVENPORT WHELPLEY. (London: Chapman and Hall, 1913. Pp. 456.)

THIS is an American book, by an American writer, yet from the standpoint of English readers its authorship is a distinct advantage. For Mr. Whelpley writes only of what he knows and understands, and no one can read the chapters of immediate interest to the industrialists and traders of this country without being impressed by his knowledge and without respect for his authority. Perhaps Mr. Whelpley hardly does himself justice in the title of the book, which suggests rather a compendium of dry facts and figures than the illuminating study and exposition of the principles of foreign commerce, and the profoundly interesting first-hand picture of the commercial world at work which it really is. And all that the author says is said with the shrewdness, conciseness, directness, and vivacity which one expects from an American pen, and which makes his book, in spite of its subject and title, a singularly illuminating piece of writing. Mr. Whelpley has almost literally made the world his field, for in gauging the course of international trade and the energies engaged in it, he passes in review successively Europe, Africa, the Far East, and the North and South American continents. Upon every country dealt with, upon its special place in, and importance for, the world market, its commercial leaders, customs, and future, he has much to say that will bear careful pondering; for though an inveterate globe-trotter, Mr. Whelpley never once writes as one. The chapters on the commercial strength of Great Britain, on Germany's foreign trade, on Japan and China, and on the relations between Canada and the United States, are perhaps those in which the author shows the surest hand and the truest insight; and men of industry and trade in this country would do well to read and re-read them, even if they leave the rest of the book uncut.

One might quote scores of passages in which the author shows that he, at any rate, is under no illusion as to why the newer

rivals of this country are "making good" in the hunt for trade. For example :—

"To tell a man that he could sell his goods in a foreign country means nothing but disappointment and loss to him unless he knows how to sell those goods and the conditions under which they will be bought and used. . . . The industry and commerce of England are like those of no other country. As a whole it is orderly, in detail it is chaotic. No laws restrain or restrict. Few trades or trust combinations control the market in any one article. Its advance is like that of a crowd bent upon one object, but with none but self-imposed discipline. The movement is irresistible, but an attack by a well organised, disciplined and well cared for force of the enemy disconcerts. In Germany, the United States, France, Russia, and other countries the industrial and commercial army is directed by master minds, policed by the governments, nurtured by special legislation."

Or again, speaking of Germany :—"'Trading made easy' is the motto of the German Government, and it is being lived up to wherever possible. It might also read 'Competition made easy,' for that is what it means in the trade of the world."

"The German is adroit, works on a closer margin, is readier to take advantage of every opening, no matter how small. He is clever, patient, anxious to please; and if he does not happen to have just what (is wanted), he will make it to suit."

Moreover, present political controversies apart, how far wrong is our author when, writing of things needful in this country, he says :—

"Great Britain has been drained of much of her expert labour and the fittest of the unemployed. These men, with their women and children, have been urged, even assisted, to leave; while the lands of the British Isles called aloud for intelligent and economical tillage, the sweat-shops of East London grew apace through unrestricted immigration of the undesirables, and the wages scale of industry remained at a low ebb because of the cost of production through ancient methods and inefficiency."

And further :—

"Anything that will leaven the toiling masses of humanity, quicken the pulse and the intelligence, bring hope to the children of the hopeless, or stimulate productive industry, will do more to prolong England's hold upon the trade of the world than a hundred Imperial conferences. To devise means to keep her money and her men at home and to give each an equal chance is now the problem which lies on the doorstep of the home citadel

of this fecund mother of nations, who still abounds in incredible resources, strength, and power, notwithstanding the demands already made upon her and to which she has responded with a lust for adventure without parallel."

There are, of course, plenty of statements that afford room for legitimate difference of opinion. It is not, for example, so certain that the doctrine that trade follows the flag is quite so outlived as Mr. Whelpley would have us believe. Again, the author puts in circulation a curiously "sloppy" misstatement when he reproduces the remarks of the English tariff reformer who assured him of the "curious fact" that, according to the labour organisations, a much smaller percentage of unemployed labour was absorbed during the recent trade boom than during any boom of recent years. The very contrary is the fact, for, with the exception of the year 1899, the percentage of unemployed, estimated on trade union returns, was never before so low, and never before did it fall beneath the corresponding German figure. A wrong impression might also be given by the statement, relating to Germany, that "the imports of meat are decreasing, due to the fact that Germany now produces 95 per cent. of the meat consumed by her people." The fact is that the enumeration of cattle, sheep, and pigs in 1912 showed a large decrease as compared with 1907, in spite of increased population; that the import of meat is in part prohibited and otherwise is severely restricted; and further that the consumption per head of the population has for some time been decreasing.

This is not, however, a book to find fault with, and in this country least of all. For if Mr. Whelpley at times severely criticises us, he is a just and a generous critic. With a warm admiration for the share England has taken in the progress of the world in the past, he joins a strong confidence that, in spite of all shortcomings, she is still sound at the core, and will come out of the present industrial strain and stress successfully if only the new and old generations will work together with a will and resolutely do their duty. It should be added that the volume is enriched by an attractive series of photographic illustrations, most of them very apposite, though Germany's river traffic might have been better represented than by a glimpse of a deserted river-bank at Dresden, and the "forest of masts at Trieste" is really a forest of house-roofs.

William Harbutt Dawson

WAR AND THE FINANCIAL SYSTEM, AUGUST, 1914.

I.

WHILE it is impossible at present to see the financial events of August, 1914, in as true a perspective, or to be as fully informed about them, as may be possible later, I propose to attempt here a brief outline while their impression is still fresh upon the mind. Whatever profound changes may ultimately be brought about in our financial system, and especially in the relations to it of Government as representing the general interest, the only course at present is to look at events from much the same point of view as we assumed to be natural three months ago. The actions of the Government and of the City have been solely directed towards enabling everything to go on immediately, in a manner which shall exactly resemble, to the outward eye, our pre-existing ways. And in this examination of their measures we shall suppose coldly that nothing has happened except a rude shock to the delicate mechanism of credit, which is to be tinkered and tuned up to the performance of its normal functions. The world of borrowers and lenders, of bankers and discounters and stock-brokers, is to be galvanised by the wires of Government into, at the least, a marionette existence. There will be no hint in what follows of anything secular or lastingly significant. Such thoughts are not my business in this particular article. The financial world is going to wake up, we shall assume, with its heart really beating and muscles taut again, to find everything just as usual.

After a week of vacillation and much timidity, the City of London realised and then asserted its immense inherent strength. For the ultimate recovery the authorities of the Treasury and of the Bank of England, the good sense of the former and the courage of the latter not failing them at the crisis, are to be held mainly responsible. The emergency measures which they took should be judged, it must be remembered, not merely by

their positive consequences, but with reference also to the fears which they were intended to allay.

In many respects the early consequences to the Money Market of European War followed the lines which competent authorities had anticipated. In two respects, however, anticipations were falsified, or rather, the magnitude of the effects had been, I think, under-estimated. The first of these was the scale on which foreign creditors became unable to meet their obligations to us and the strangling effects of this on our own money market; and the second was a lack of courage, in the early days of the crisis, on the part of our joint stock bankers.

Throughout the discussion which follows the clue to the difficulties of the City of London is to be found, not in any inability of ours to meet our engagements to foreigners, nor in any internal trouble due to panic or hoarding by the public, but in the inability of foreigners on the outbreak of war to meet their liabilities here. As economists had anticipated, within but a few days all the exchanges of the world were in our favour.

II.

The first blows of the crisis fell upon the Stock Exchange. On Tuesday, July 28th, Austria declared war against Servia. The Continental Bourses made up their minds immediately that the worst should be prepared for. By Thursday, July 30th, all the Stock Exchanges had closed with the exception of London, New York, and the official (*Parquet*) market at Paris. On Friday the postponement of the Paris Bourse Settlement to August 31st[1] precipitated the closing of the London Stock Exchange until further notice. New York followed suit as soon as American time had caught up European. War was declared between Russia and Germany on Saturday, August 1st, and between England and Germany on Tuesday, August 4th. Thus the closing of *all* Stock Exchanges (except the Paris *Parquet*, which remained open to a certain extent up to the impending evacuation of Paris by the Government on September 2nd) preceded the declaration of hostilities between the Great Powers.

It is common to say that the unprecedented step of closing the London Stock Exchange was brought about by the flood of sales from abroad. That Berlin and Paris and all the financial centres of Europe would seek to turn their securities into money at any price, and would endeavour to sell in London whatever

[1] Subsequently postponed again to the end of September.

international securities they possessed which might have a market there, was, however, what everyone had expected; and there was nothing in this essentially detrimental to the position of the London Market as a whole, or necessarily involving the early cessation of all business. Even if the Stock Exchange does remain open, no one can compel jobbers to buy stock which they do not wish to buy. The facilities for making sales can be enormously curtailed without being entirely suspended, while the facilities for making purchases can still be maintained for those who may be able to make them.

The influences, however, which brought the London Stock Exchange to a close, and kept it closed, were really of a different character. They were two,—the liabilities of foreigners *to* the London Stock Exchange on account of previous purchases (not the liabilities to foreigners *from* the London Stock Exchange on account of current sales), and the action of the Joint Stock Banks.

So far from the danger arising out of the *sales* by foreigners during the preceding days, the danger arose out of a precisely opposite cause, namely the *purchases* made by foreigners earlier in the account or carried over from previous accounts. The London Stock Exchange is at all times an international market, and there are numerous important firms in it whose chief business it is to buy and sell on account of foreign bourses. At the end of an account large sums are naturally due to them from foreign clients; and even if foreign markets are not indebted to London on balance, it is not possible for individual brokers, or even for the London Stock Exchange as a whole, to set off sums due from one foreign client against sums due to another. The closing of the foreign bourses, the complete or partial *moratoria* declared in foreign countries, and finally the postponement of the Paris Settlement made debts due from foreign clients for the time being irrecoverable. Coming suddenly upon the London Market at the end of a nineteen-day account, the emergency steps which were taken abroad rendered it difficult or impossible for numerous firms with foreign connections to meet the sums immediately due from them. The failure on Thursday of an important firm, Messrs. Derenburg and Co., who were largely concerned in business with Germany, brought home to members of the Stock Exchange the character of the situation. Dozens of firms, it was rumoured, who could not get in sums due to them from Paris or Berlin were prepared to hammer themselves on Friday. The failure of these must necessarily have involved the failure of innumerable others, to whom the suspended members were due to pay the money which they had expected

from abroad; and nobody felt safe. If A owes B money, and B owes it to C, and C to D, and so on, the failure of A may involve with it the failure of the whole series.

The Committee of the Stock Exchange had to act immediately, under the shadow of impending general insolvency, and taking, as men inevitably do in such circumstances, the most extreme of the remedial measures open to them, they closed the Stock Exchange altogether.

I have mentioned the action of the Joint Stock Banks as one of the determining factors. This requires some further elucidation. It might be supposed that a Stock Exchange transaction between a willing seller and a willing buyer would not greatly affect the position of others, and that there would be little object in endeavouring to hinder such a transaction. But this is not the case, for the following reason. Immense sums are lent by the Banks on the security of shares. The amount of the loan for which this security is good is ordinarily calculated by reference to the price at which the shares are quoted in the Stock Exchange official list. If the quotation falls the Bank may require their customer either to reduce the amount he is borrowing from them or to put up additional security; an inability to comply on his part puts him in a position of insolvency; and the Bank may take the extreme step of realising the security placed with them, for what it will fetch, and applying the proceeds towards the liquidation of their customer's debt. In normal times this practice is reasonable enough, the Stock Exchange quotation being a fairly good index to the approximate value of the security. But the effect of the practice is that in abnormal times the position of a great number of creditors is profoundly affected by the prices which the Stock Exchange chooses to quote, quite irrespective of the amount of business actually transacted at these prices.

If the Stock Exchange had remained open, for some securities at any rate there would have been quotable prices. The Banks, therefore, might have seen a gradual dwindling in the nominal values of the shares held by them as security; and there could be no guarantee that they would not have taken it into their heads to ruin a number of their customers. The ruin of these customers would have brought with it the ruin of brokers who had trusted them; and so the trouble would have spread from one class to another.

The closing of the Stock Exchange, on the other hand, precluded the Banks for two reasons from ruining their customers. No new official quotations being available, the value of securities

could be conventionally reckoned with reference to the last quotations ruling. The shares, of course, would not really be worth more than they would be if the Stock Exchange were open; but the banks would not have any fall in value obtrusively brought to their notice. In the second place, it would not be possible for the banks to realise their security or to force their customers to realise it, even if they were to wish to do so.

Thus the reasons for closing the Stock Exchange were, mainly, the inability of many members to fulfil their engagements owing to the breakdown of foreign remittance, and the fear that some of the banks might choose to ruin their customers by calling for more cover, if prices continued to fall and, markets remaining open, forced realisations were to bring with them their usual cumulative effect.

There were, on the other hand, many strong reasons against a complete closure. I will not expend space, however, to consider here whether less drastic remedies might not have been adequate to the situation, except to say that much might have been done by bold and concerted action on the part of the banks. They might have come forward at the beginning and assured the Stock Exchange that they would stand by them to the utmost of their power, and that, in the matter of calling for additional cover, they would treat old borrowers with as much consideration as they were able. If the banks had agreed to continue reckoning the value of shares, for the purpose of security, at the quotations of (say) July 27th, they would not have been in the least degree worse off than they were with the Stock Exchange closed. Unfortunately, however, the early action of the banks was such as to give the Stock Exchange no confidence at all that the banks would stand by them, but rather encouraged the feeling, however ill-founded, that the bankers, or some of them, had little intention of considering anything but their own skins. Difficulties were made about lending fresh money at any rates at all, proffered security at the end-July settlement was scrutinised with excessive caution, and some banks, it is said, began to call in at the height of the crisis money they had already lent or arranged to lend.

The position of members still waiting for foreign remittance would not have been affected by the reopening of the Stock Exchange for cash transactions. In so far as this position permits of rehabilitation by the mere assistance of the lapse of time, a further postponement of the settlement does all that is possible.

The Stock Exchange once closed, no small part of the financial

business of the country was frozen at the source. By August 13th or 14th, or a little sooner, a few unofficial transactions in cash began to be mentioned in Consols and one or two of the leading securities. Such private transactions increased in volume at first and then seemed to diminish again. When this article was written no formal reopening of the Stock Exchange had been announced. It is conceivable that the Committee of the Stock Exchange may be influenced in favour of delay by a vague hope that the Chancellor of the Exchequer may eventually come to their assistance with aid or guarantees from the public funds.

III

Apart from and, to a certain extent, in addition to loanable capital temporarily lent abroad, which gradually falls due for repayment, foreigners are under a large obligation to this country on account of a system by which we, in effect, *guarantee* money due from one foreign country to ourselves or to another. The British banks and discount houses, which lend short-period money to foreign countries against bills of exchange, do so, to a large extent, *indirectly*, the persons, against whom they have first recourse on the maturity of the bill, being some British house. Some of the bills held by the London Market are drawn directly on the London agencies of foreign institutions, but to a larger extent, even when the bill arises out of a trade transaction both parties to which are foreigners, they are drawn against the British Accepting Houses. These houses, that is to say, give, for a commission, their guarantee that the bills will be met at maturity, reckoning on their foreign clients' putting them in funds to meet the bills in due course.

In order to understand the recent crisis it is important to distinguish sharply between the position of the accepting house, which guarantees the bill but does not advance the capital, and the position of the houses which, on the strength of this guarantee, do advance the capital. The business of holding the bills, *i.e.*, of advancing the capital, is carried on by the Banks, who transact also, it may be added, for English customers a small but growing amount of the guaranteeing or accepting business, and by the Discount Houses. The Banks employ for this purpose a part of the funds placed with them by their depositors. The Discount Houses carry their bills partly with funds, which are put with them, as with the Banks, on deposit, and partly with funds lent

them by the Banks on the understanding that these funds can be called up by the Banks on very short notice.

Now the ordinary view of those who have written in advance as to what would happen in the event of war has been, I think, that the various obligations to London of foreign debtors, whether to London accepting houses or to the London holders of bills accepted in London by foreign agencies, would be gradually met as they fell due; that they would be only partially renewed; and that as a consequence the exchanges would all move in London's favour and so strengthen in a great degree the position of the Bank of England. It had not been generally realised that one of the earliest effects of war might be the complete breakdown of the system of foreign remittance, and that the foreign clients of the accepting houses and the foreign agencies in London would fail to meet their engagements on a wholesale scale.

Such a failure of the remittance system, once it has taken place, must have the most far-reaching consequences. The Banks, we have seen, are depending on the Accepting Houses and on the Discount Houses; the Discount Houses are depending on the Accepting Houses; and the Accepting Houses are depending on foreign clients who are unable to remit. The aggregate value of the outstanding bills in London is of huge amount, estimated by some at £350,000,000, of which many million pounds' worth fall due every day; and for a substantial part of this foreigners are ultimately responsible. The free resources of the Accepting Houses are very small in proportion to their outstanding guarantees, and against a wholesale failure to remit on behalf of their clients they are perfectly helpless.

A failure of the remittance system, a consequent inability, however unexpected, on the part of the Accepting Houses to meet their engagements, and so a solidification of that part of the assets of the rest of the Money Market which had been looked on by them as most liquid, did, nevertheless, face the City of London even before hostilities had broken out between first-class Powers. Nor in the light of what has actually happened can it be maintained that events followed any unnatural course.

The reasons for the failure of remittance, which was at the root of the trouble, must be the first object of our inquiry.

There are, roughly, four ways in which a foreign creditor may expect to remit funds to meet his obligations: (1) by sending goods, (2) by sending gold, (3) by selling securities, (4) by discounting bills and so raising fresh short credits. All these methods were, at the outbreak of war, rendered, temporarily at

least, inoperative. To send goods must, if sudden and unexpected repayment is demanded, be a comparatively slow and gradual process. This method cannot possibly act quick enough to help a crisis, and, in addition, the fear of capture greatly hindered in the early days of the war the international movement of commodities.

The shipment of gold was difficult, in part for similar reasons. Even before war had broken out, the insurance rates for the transit of gold across the Atlantic were becoming almost prohibitive; and there were many important firms having urgent liabilities in London and a command of gold in New York, yet unable to ship the latter to meet the former. Apart from the difficulties of shipment, and, in the case of South American countries, the long period of transit, the number of countries, the currency authorities of which are prepared to release gold in large amounts at a time of crisis is not large. Although many countries now hold large quantities of gold, there are but few which pursue a rational policy in regard to it. At considerable cost they build up large reserves in quiet times presumably with a view to the next crisis; but when the crisis comes mistaken policy renders them as little able to use the gold as if it were not there at all. In the course of time a considerable amount of gold has flowed to the Bank of England or to its depositories. But it was not possible for foreign debtors, however solvent, to remit it all of a sudden. I do not think it had been adequately realised beforehand how completely European war, or even the anticipation of it, would cut off for a time the possibility of the remittance of gold.

The third expedient, namely, the sale of securities, was immediately put out of action by the closing down of the Stock Exchanges. The fourth expedient, namely, the sale of bills of exchange, which is closely connected with the shipment of commodities, since they are brought into existence by the prospective delivery of goods, was hindered, partly by the difficulties of such shipment, but much more by the position of the Accepting Houses, which were in no position to entertain fresh business. It was the difficulty of drawing bills, capable of being discounted, which prevented the shipment of goods, rather than the other way round.

One way and another, therefore, even solvent foreign debtors were prevented for a time from remitting what they owed to this country. In the case of enemy debtors, solvent or insolvent, repayment was indefinitely postponed. In other cases the suddenness with which repayment was demanded upset altogether the

mechanism through which such repayment might have been gradually effected. The Government of Brazil, for example, defaulted,[1] and both there and in the Argentine the Offices of Conversion decided to hoard their gold. The currency system of India, it may be observed, stood better than most the stress of the early days of the crisis.[2]

Thus, just as the Stock Exchange was deranged by the failure of foreign debtors to remit what they were owing, so also the Banks and Discount Houses, which had indirectly lent short money abroad, found their calculations utterly confounded by their inability to get this money back when they wanted it. For them, however, the problem presented itself in a somewhat different guise. Except to a very minor extent, the Banks had lent their funds to foreigners not directly, but, as we have seen, subject to the guarantee of British Accepting Houses. The fact immediately observable, therefore, was the inability of these Accepting Houses to meet their engagements. It was, thus, to these institutions that, at a very early stage, some degree of relief had to be afforded by Government if they were to be saved from open insolvency. This relief took the form of the first, and partial, moratorium which was proclaimed on Monday, August 3rd, and related to bills of exchange only. The effect of this proclamation was to enable an Accepting House to postpone for a month payment of any bill, accepted before August 3rd and falling due, subject to interest at the rate of 6 per cent.

By this proclamation the Accepting Houses were, for the moment at any rate, saved. But the Banks and the Discount Houses found that part of their assets, which they had reckoned on as being the most liquid, suddenly, and for what might be an indefinite period, fixed. Bills which they had reckoned on as turning automatically into money at an early date and therefore their first line of defence, had become, in effect, uncallable loans of indefinite duration.

In the case of the Discount Houses, the vast bulk of whose assets is in the form of bills,[3] and who borrow large sums at call or short notice, even solvency may have been in danger. The

[1] It is an interesting illustration of the state of the Press that this event, which would ordinarily have excited the greatest interest, was crowded out of the news columns until nearly a week after the information was available.

[2] See *Current Topics*, below.

[3] The three Discount Companies, as distinguished from the private houses for which no figures are available, had on June 30, 1914, discounted £58,200,000 bills, of which £14,400,000 had been rediscounted, as against total capital and reserves of £3,600,000.

Banks, it is true, could support an appreciable ultimate loss on their bill holdings without danger to their ultimate solvency.[1] But the locking up of so much money, which had been reckoned on, had the effect, first, of greatly reducing their means of obtaining ready money for their depositors, and, second, of stopping the flow ordinarily available for the discounting of the new bills required for the carrying on of current foreign trade.

The Banks and Discount Houses were saved for the moment from the first danger (of being called on to repay their depositors at a time when their assets were non-liquid) by the second Moratorium Proclamation of August 7th, which protected nearly all classes of debtors for a period, in the first instance, of one month.

The second question, the rehabilitation of the discount market, presented a far more difficult and complex problem. Its rapid solution was of the utmost importance, because in the meantime foreign trade was to a large extent held up. If the flow of imports could be restarted, we should obtain stores of which we stood in need, and, as foreigners would then be enabled to repay a part of their old indebtedness, a beginning could be made with the liquidation of the financial position.

Two separate difficulties required solution, the problem of getting new bills satisfactorily accepted, and the problem of getting them discounted when accepted. Various possible expedients were open to the Government. It is not now worth while to discuss any except that actually adopted. Their actual plan struck directly at the second problem and left the first, which, perhaps, they did not clearly envisage as distinct, to time, good fortune, and the indirect effects of the solution of the second. This plan was to authorise the Bank of England to buy up (more strictly, to re-discount at 5 per cent.) any of the pre-moratorium bills[2] with which the Banks and Discount Houses were saddled and which they might wish to turn into money. Further, the usual contingent liability of the re-discounters, through whose hands the bills had passed, was waived; the acceptors were to be permitted to re-accept,[3] if they could not meet the bill at its

[1] The amount of bills held by the Joint Stock Banks is not separately stated, but it may be estimated as standing, for the leading banks, somewhere between £100,000,000 and £125,000,000, or perhaps 15 per cent. of their total assets.

[2] The bill had to be approved, but the Bank agreed to take even the acceptances of foreign agencies against which in normal times it discriminates.

[3] Since this article was written a new arrangement has been approved, by which the acceptors, instead of being allowed to re-accept their bills on maturity, are to be lent funds wherewith to pay them off. This incidentally has the effect of doing away with the contingent liabilities of the drawers and endorsers, instead of that of the last holders only, as in the first arrangement.

maturity, at a rate two per cent. above bank-rate; and the Government guaranteed the Bank of England against any ultimate loss on the transaction due to the eventual insolvency of any accepting house.

This was an exceedingly bold measure. Its effect was to relieve enormously the position of the Banks and Discount Houses. The Government's action not only enabled them to turn all their bills into money at a very moderate rate of discount; it also saddled the National Exchequer with any bad debts, on account of bills, with which these institutions might otherwise have been encumbered. The country at large would benefit, it was hoped, through the Banks now having ample funds either to meet the claims of their depositors or for fresh business. In particular money for the discounting of fresh bills would be available.

The psychological relief to all connected with the Banks and Discount Houses was, of course, very great; and the Government's measure was loudly acclaimed in the Press. I should not like to say that something of the kind was not a necessary first step. But the public funds were saddled by it with a very large contingent liability,[1] and it was but partially successful in the business of rehabilitating the Discount Market. The Banks availed themselves of it to an enormous extent, but the funds thus placed in their hands were not very largely used by them for the purchase of new bills. This was partly due to great caution on the Bank's part, but more largely to the shortage of bills coming forward of a kind which the Banks cared to handle. This was to have been anticipated. For the Government's action did nothing to rehabilitate the credit of the Accepting Houses, the first of the two problems referred to above having been left virtually untouched. Time only can show how many of these institutions will ultimately weather the storm. At present the acceptances of many of them are not worth what they used to be. And thus the machinery used in the first stage of bill-manufacture is still very incompletely mended.[2]

I doubt how far the old system of specialisation in the business of accepting bills will ever be revived in its former degree of importance. Accepting will be undertaken more and more by institutions, of the liabilities of which acceptances do not form an overwhelmingly preponderant part. Banks have tended in recent years to do much more of this business for their customers

[1] The volume of bills brought to the Bank up to the first week of September seems to have fallen short of £100,000,000. The chance of an ultimate loss of as much as £30,000,000 cannot be great.

[2] Since the above was written, the Treasury has offered (September 4) a further guarantee designed to rehabilitate the credit of the Accepting Houses.

than was the case formerly, and further progress in this direction is to be anticipated. In the meantime there is much friction in the machine, and the Discount Market works but stiffly. Bold action by the Banks, both in acceptance and in discount, is chiefly needed to ease it.

IV.

There have been many references in the preceding pages to the action of the Joint Stock Banks. It is, I think, fairly plain that not all of these institutions—that there were some very honourable exceptions is not disputed—rose, in the early period of the crisis, to their responsibilities. Not only in the feverish days, which preceded and followed the declaration of war, was their influence cast on the side of panic measures. Both then and subsequently their action suggested that considerations of their own immediate safety, and even, it should be added, of their own pecuniary profit, overshadowed those of the general interest and of the more remote future. They showed too little of that stedfast and honourable regard for the good name and future position of the City of London which the authorities of the Bank of England, on the other hand, never forgot. A part, at least, of their behaviour is open to the charge of being selfish and not the less—even from their own point of view—short-sighted.

The Banks might have decided to treat their depositors and customers with generosity, while calling money somewhat freely from the Money Market and the Stock Exchange, on the ground that the former had necessarily the first claim upon them. Or, on the other hand, at the beginning of the troubles at least, they might have held it more politic, with a view to the advantage of the financial body as a whole, to support the City interests, even at the expense of curtailing for a time the facilities of their country clients. Some banks took the former course, and deserve credit for it. But there were some which took neither and did not freely employ in the country the money they called from the City. In effect they hoarded the country's funds and are as much open to blame for this as private persons would have been who acted in a similar way. The main incidents affecting the attitude of the Joint Stock Banks may be narrated in order.

Wednesday, July 29th, the day after Austria had declared war against Servia, was pay-day on the Stock Exchange. Stock Exchange customers had no time whatever to make new arrangements suited to the critical state of affairs. It was desirable and might have been expected that the bankers

would have allowed them all the latitude they could. The evidence is that on the whole loans were unexpectedly restricted. The amount of restriction may not have been great, but the Stock Exchange was made to feel that it had little to expect from the Banks.

On Thursday, Friday and Saturday of that week the Banks began to call money in considerable amounts from the Discount Houses, which had accordingly to take enormous quantities of bills to the Bank of England. On Thursday the Bank Rate was raised from 3 to 4 per cent., on Friday to 8 per cent., and on Saturday to 10 per cent. By Saturday morning the action of the Joint Stock Banks had brought the Discount Houses near to demoralisation, and these houses began to be afraid that the Bank of England would no longer take their bills—a fear, however, which the Bank of England's action quickly dispelled.

The rapid rush of the Bank rate from 3 to 10 per cent. in three days was partly due to the great volume of bills which the Joint Stock Banks forced the Discount Houses to take to the Bank of England; but more largely to the amount of gold and notes taken from the Bank of England by these same Joint Stock Banks. We had heard a great deal in the times of peace of the private reserves of gold which some of these banks were said to be building up. So far from their taking gold from the Bank at the next crisis, hopes were held out of their actually being able to take new gold to the Bank in replenishment of its own reserve. These hopes were not fulfilled. The banks held on to what gold they had, and took out from the Bank of England in the first three days of the crisis many millions more. Our system was endangered, not by the public running on the Banks, but by the Banks running on the Bank of England.

These measures of the Joint Stock Banks, damaging though they were calculated to be to the City of London, might possibly have been justified if the banks had been determined through thick and thin to meet every demand of their depositors. The number of branch banks in the United Kingdom now exceeds nine thousand. The reserve of the Bank of England on July 29th amounted to £27,000,000. The whole of it, therefore, would have been exhausted by an average increase in the till-money held per branch to the trifling amount of £3,000. Adequately to replenish the till-money of all these branches was likely, therefore, to tax every possible resource of the Joint Stock Banks. And, as we have always known, a serious run on the part of the depositors could not possibly be met except with the assistance of an emergency note issue.

The Joint Stock Banks had no intention, however, of paying out freely to their depositors the proceeds of their raids on the City. On Friday, July 31st, most of them had begun the suicidal policy of making difficulties all over the country in paying out gold coin even to old customers who wanted £5 or £10 for petty cash, endeavouring to fob them off with Bank notes or silver. The extreme unwisdom of such action, so long as the Banks had gold and were not yet provided with £1 notes, can scarcely be exaggerated. Nothing could have been so well calculated to inspire the public with distrust or even panic, and to arouse in them the ancient instinct of hoarding. The Banks revived for a few days the old state, of which hardly a living Englishman had a memory, in which the man who had £50 in a stocking was better off than the man who had £50 in a Bank. On Friday, July 31st, and Saturday, August 1st, the shameful sight was seen of a queue of persons outside the Bank of England waiting to cash notes which had been forced on them by their bankers. It should be added that, while on the Friday and Saturday some persons drew cash from their banks beyond the ordinary, the attitude of the general public was one of great coolness No sign at all was shown of the beginning of a general run. The Post Office Savings Bank remained open throughout the period, for which the Joint Stock Banks were closed, without suffering seriously from withdrawals.

By chance, Monday, August 3rd, was the date of our usual August Bank Holiday. When, therefore, the Banks and City offices closed on Saturday afternoon, there were two clear days for reflection and counsel. The Joint Stock Bankers devoted the week-end to proposals of panic and despair. Some amongst their leaders were ready, it seems, to force suspension of specie payment on the Bank of England, while its resources were still intact, without one blow struck for the honour of our old traditions or future good name. But it was for protection against their depositors that they were most urgent.

On Monday, August 3rd, the Government agreed to extend the Bank Holiday by proclamation until the following Thursday evening. This course had the advantage of allowing time for the preparation of an emergency paper currency, and of affording a further period for reflection and consultation. On the other hand, the public, entirely cut off from access to their Banks from August 1st to August 7th, were put thereby to all kinds of inconveniences, and the City of London was precluded for nearly a week from meeting any liabilities whatever. It became very difficult to cash notes, and a shortage of change was soon general.

Such inconveniences were not very important in themselves, though they might easily have been the occasion of distrust and hoarding as soon as the Banks reopened. Fortunately this was not the case. The public decided to take good-humouredly whatever they were told was necessary in the general interest.

By the time the prolonged Bank Holiday had come to an end, the Joint Stock Banks had obtained from the Government two very important concessions. By the second Moratorium Proclamation of August 6th the Banks were given a discretionary power to refuse the encashment of cheques drawn against balances, thus enabling them to discriminate against any customer who desired to draw from them an inconvenient amount, or whom they suspected of taking money for the purpose of hoarding it. This Moratorium Proclamation applied to the great mass of money liabilities, exceeding £5 in amount; but the necessity of putting it in force so widely was partly due, I think, to the desire of the banks for the above protection against their depositors. If the banks were to be protected against their depositors, clearly the latter must receive a similar measure of protection against *their* creditors.

The second concession related to the terms of issue of the new £1 and 10*s*. notes. These, it was decided, were to be issued, not by the Bank of England, but by the Treasury, and were to be put into circulation by being placed (through the Bank of England) at the disposal of the Joint Stock Banks, the Post Office Savings Bank, and the Trustee Savings Banks.[1] The Joint Stock Banks were free to apply for these to an amount up to 20 per cent. of their liabilities on current and deposit accounts, and they were not required to deposit any specific security against them. "The amount of notes issued to each bank is treated," according to the explanations published by the Treasury, "as an advance by the Treasury to that bank, bearing interest from day to day at the current Bank-rate, the security for the Treasury advance consisting of a floating charge on the assets of the bank up to the amount of the notes issued. The bank is permitted to repay the whole or any part of any advance at any time. Any amount repaid can be renewed if and when necessity arises." Later on a modification in favour of the Banks was introduced, by which they could take out certificates from the Treasury, interchangeable for notes or for a credit at the Bank of England, interest being payable only on the amount to which they actually

[1] These notes are full legal tender, and obligatorily encashable in gold only at the Head Office of the Bank of England, as agents for the Treasury.

availed themselves of the facilities guaranteed them by the certificates.

Thus an emergency currency was provided for internal use, which, by economising the use of sovereigns in the circulation, served to strengthen the Bank of England's reserve; and at the same time the Joint Stock Bankers were provided by the Government with an immense amount of legal tender, wherewith to meet claims, up to any probable amount, that their depositors might make upon them.

In the event, the demands of their depositors on the Banks proved exceedingly moderate. On August 26th the value of the Currency Notes outstanding amounted to £21,500,000; and of this only £6,300,000 stood in the Treasury's books as a loan to the bankers, the greater part of what was originally advanced to them having been repaid by that date.[1]

In the following week (August 13th) the Banks obtained a further concession, perhaps the most important of all from the point of view of their pecuniary profit, by the Government's guaranteeing them against bad debts made on pre-August 4th Bills of Exchange, and authorising the Bank of England to turn these bills, if brought to it by the Banks, into money immediately. The general bearing of these measures has been discussed above. The Banks were freed from the risk of pecuniary losses and were supplied with a very large amount of floating funds.

Through the whole of August many of the Banks, in spite of the extraordinarily strong position which the action of the Government had built up for them, were showing extreme caution in the use of the credits thus placed with them; and the admirable composure of their depositors was not preventing them from asking for a further extension of the protection afforded to them by the Moratorium. The Government had hoped that, in placing the public credit boldly, cheaply, and in huge amounts at the disposal of the Banks as the natural channels between them and the country at large, the greater part of this credit might percolate through to the industrial and financial world generally and serve to oil the wheels of the whole economic machine. On August 26th Mr. Lloyd George was moved to express his disappointment.

Some responsible authorities, however, have advanced the view that "their (the Banks') first duty is the duty of self-preservation," and that they should take no steps which could risk, however slightly, this primary object. In this case we must admire the manner in which their leaders contrived to engage for such a

[1] By September 2 these figures had become £25,150,000 and £3,750,000 respectively.

purpose the public credit and the public funds, which the authorities of the Treasury placed at their disposal in aid of the widest and most general interests of the trade and finances of this country. The right view must depend upon how intrinsically desperate the situation during August really was. I believe, and subsequent events are constantly strengthening this belief, that it was amenable to courageous action.

V.

The position of the Bank of England has been the subject of indirect allusion in the preceding pages. There is wonderfully little to add in a specific account of it. Greatly is this to the credit of the authorities of the Bank; for it is due to the fact that they, at any rate, have endeavoured to carry on as nearly as possible as usual.

The crisis found them (July 22nd) with a reserve (£29,000,000) and an aggregate gold-holding (£40,000,000) of normal amount, and a bank-rate of 3 per cent. On Wednesday, July 29th, they lost about £1,000,000 in sovereigns for the Continent; and, during the week ending on that day, £1,000,000 had been taken out for the joint stock banks and the internal circulation. These amounts were trifling. The flood of bills taken to the Bank for re-discount had, however, already begun and was shown by increases in the July 29th return of £12,250,000 in the "other deposits," and £13,650,000 in the "other securities." On this the Bank-rate was raised to 4 per cent.

On Thursday, July 30th, another £1,000,000 was taken for abroad, and on Friday, July 31st, again £1,000,000, chiefly for France. On Friday, August 7th, after the prolonged Bank Holiday, £230,000 was taken for France. This was the end of a movement which had been, from first to last, trifling. During the rest of August the demand for gold for export entirely ceased. The balance of international indebtedness was strongly in our favour, and, with the re-establishment of communications, a steady inward flow of gold began. On every single day, for the rest of August, the Bank bought gold, the total influx from August 7th to the end of the month amounting to the considerable sum of £18,500,000.[1] This more than counterbalanced the Bank's large losses of gold to the joint stock banks and the internal circulation. In its return for August 26th the Bank of England was in the proud position of being able to show a larger holding of gold than at the corresponding date in 1913.

All this was in entire accordance with reasonable anticipations.

[1] Including £2,000,000 unearmarked on Indian account.

The principle that the Bank of England can afford a small reserve, because it always lies within its power to influence the exchanges of the world within a very brief period, has again been justified. Even if, as appeared possible for a few days, the special circumstances of war had prevented the Bank from drawing gold, there was never any risk of her losing it for export abroad in any considerable quantities.

In the early days of August the Bank's power of actually drawing gold appeared to be in danger for two reasons. In the first place very many of the countries which stood indebted to us had either suspended specie payments immediately or were about to do so. As usual, most countries refused to use their gold reserves and preferred sterile hoards to the fulfilment of their obligations. Some chose this course on account of the uncertainties of war; others on account of the, perhaps too great, suddenness with which London put on the brake—they were made to feel that the prospect of their being able to meet their engagements was too slight for it to be worth their while to meet them even in part. In the second place, some countries desirous of meeting their obligations in gold were hindered from doing so by the uncertainties of transport by sea and the prohibitive cost of insurance.

To meet the first difficulty there was nothing, at the moment, to be done, and the Bank, with its possible sources of supply greatly curtailed, had to rest content with the consideration that the defaulting countries were at least unable to *draw* gold. The second difficulty was attacked by the Bank with boldness and success. There is nothing in the Bank Act to prescribe the location of the Bank's Reserve. Advantage has always been taken of this to reckon in the Reserve gold lodged, often in large quantities, at the Mint. It was an obvious extension of this to open depositories at Ottawa for the receipt of American gold, and in South Africa for deliveries from the mines.[1] Although no public statement has been made to this effect, gold so received seems to be included in the daily and weekly statements of gold bought by the Bank, no distinction being made between the gold actually in London and that which still lies in Canada or British South Africa. It may be anticipated that these arrangements will be extended to India.

This arrangement not only possessed the advantage of avoid-

[1] For gold tendered at Ottawa the Bank pays cash in London at the rate of 77*s*. 6*d*. per ounce for gold bars, and 76*s*. 0½*d*. per ounce for U.S. gold coin. Against gold in South Africa the Bank advances at the usual rate of 77*s*. 9*d*. up to 97 per cent. of the value, the balance to be adjusted on the eventual arrival of the gold in London.

ing the risk of sea transport. It also enabled the Bank to anticipate by several weeks the arrival of gold from South Africa. If the gold can be credited to the Bank as soon as it is ready for export, the output of seven or eight weeks at the mines can be added to the Bank's Reserve in the first three weeks of the inauguration of the new arrangements. The Bank includes in its Reserve gold which would not normally have reached it for a few weeks to come.

As matters have turned out, the replenishment of the Bank's Reserve has been almost entirely due to receipts from the United States and the South African mines. Of the £18,500,000 received between August 7th and the end of the month, £8,000,000 was in United States gold coin, £7,200,000 in bars,[1] £2,000,000 in sovereigns from the Indian earmarked account, and £1,400,000 in sovereigns from South America (Argentine, Brazil and Uruguay). Nothing was received from any other source.

Even those who in the early days of August demanded a suspension of specie payments by the Bank of England must begin to wonder what solid reasons can have influenced them. Even if the Bank of England had been exposed to a foreign drain of gold, or to the risk of it, it would have been a shameful abandonment of the Bank's traditions to have refused to pay out gold so long as any substantial quantity of it was still available. A suspension of specie payments, the English have been taught to believe, is a last, and not a first, resort. On an unshaken belief in the tenacity of this tradition the international position of the City of London largely depends; and weakness on this point in the early days of the crisis, however great the danger, might have preluded a vast loss of future prestige.

In the actual circumstances, however, a belief in any serious danger of the loss of gold abroad showed a great misconception of the financial situation of this country. It would have been ridiculous to have risked our prestige by refusing to meet our immediate foreign obligations in cash at a time when the rest of the world, so far from being able to demand money from us, was utterly unable to pay what was immediately due *to* us from them.

The staunchness of the Bank of England, the authorities of which never wavered in their determination to meet immediately in gold all possible claims upon them, and the good sense of the Treasury and of the Government, fortunately deprived of influence counsels of so great folly. One need only record here the general

[1] How much of this was deposited respectively in S. Africa, Canada, and London, it is not at present possible to state.

belief that authorities of some importance did cast their influence on the other side.

The fear that the Bank of England might not be able to meet its liabilities in gold was chiefly due, I think, to anxieties as to the possible drain of gold into the internal circulation. As soon as the Joint Stock Banks took fright in the last week of July, the volume of coin and notes which they required to replenish their till-money in their nine thousand branches was, as we have already seen, enormous. Although in the week ending August 7th the Bank had only been open for a few days £14,610,000 in coin and notes had been taken out for internal use and the Reserve had fallen from £27,000,000 to £10 000,000. No one could say for certain what the behaviour of the public would be when the banks reopened after the prolonged Bank Holiday. Whatever, therefore, the strength of the Bank might be as regards an external drain of gold, steps had clearly to be taken to prevent the gold draining away quite uselessly into the internal circulation to gratify any anti-social instinct to hoard which might show itself.

Three steps were taken to avoid this danger. Two we have already noticed—the protection given to the Banks by the second Moratorium Proclamation against extreme demands on the part of their depositors, and the issue of Currency Notes under the ægis of the Treasury. These were new. The third was of the old-fashioned kind, namely, an assurance from the Government to the Governor of the Bank of England that he might feel himself free, if the occasion should arise, to increase beyond its usual figure, in spite of the Bank Act, the Bank's uncovered fiduciary issue of notes.

As a matter of fact the issue of £1 Treasury Notes to a comparatively moderate amount has been sufficient to meet such mild demands as the public have made for a volume of currency beyond the ordinary. These Treasury Notes, being entirely a Government matter, do not enter under any head into the Bank Return. Consequently, although the total issue of paper money in this country, Bank Notes and Treasury Notes taken together, may, counting notes in the hands of the Joint Stock Banks as in circulation, have exceeded for a few days between August 7th and August 19th (this has not been the case since that date) the fiduciary issue normally permitted to the Bank of England issue alone, there has been no occasion for a formal breach of the Bank Act; and the Bank of England's own issue has remained throughout well within the prescribed limits.

Authorities differ a little as to what they mean by a "Suspen-

sion of the Bank Act." Is the Act suspended when the Bank is given hypothetical powers to exceed the fixed issue in given circumstances? Or is it only suspended when these powers become operative and the fixed fiduciary issue is actually exceeded? In the latter case the Bank Act has not been suspended this time. And the latter interpretation is, I think, to be preferred. For the public may know nothing of any private understandings which exist between the Government and the Bank as to the action which will be authorised in hypothetical circumstances.

In one respect recent procedure has been different from that followed on former historic occasions. In the *Currency and Bank Notes Act*, 1914, the Treasury have for the first time taken formal legal authority, in advance, to allow Banks of Issue to exceed their fixed limits. The first part of Clause 3 of this Act reads as follows :—"The governor and company of the Bank of England and any persons concerned in the management of any Scottish or Irish bank of issue may, so far as temporarily authorised by the Treasury and subject to any conditions attached to that authority, issue notes in excess of any limit fixed by law."

The conditions of issue of the Treasury notes practically give the Treasury a free hand. I believe that the Treasury may be trusted to use their large powers wisely, and that it was right not to attempt in emergency legislation to enter into detail or to prescribe too closely the powers of the executive authority. But if these notes are to remain an integral part of our currency system for any long time, more precise regulations in respect of them ought to be thought out at leisure. At present Clause 2 of the Act runs :—"Currency notes may be issued to such persons and in such manner as the Treasury direct, but the amount of any notes issued to any person shall, by virtue of this Act and without registration or further assurance, be a floating charge in priority to all other charges, whether under Statute or otherwise, on the assets of that person." The assets against the notes, amounting in value to £21,500,000, which were outstanding on August 26th, consisted to the extent of £10,000,000 of a charge, under the above clause, against Joint Stock Banks, Post Office Savings Banks, and Trustee Savings Banks. The balance of £11,500,000 had been repaid by the institutions to which they had been issued in the first instance (although these notes were still in circulation with the public), and was represented by a credit at the Bank of England standing in the name of what the Treasury have decided to call "The Currency Note Redemption Account." This Account is, of course, distinct from the Exchequer Balances, though included along with these Balances, with the Savings

Banks Account, and with the Commissioners of National Debt Account, in the "Public Deposits" at the Bank of England. There is nothing to prevent the Treasury from making use of this account to fill up a temporary deficit in the Exchequer Balances, whether by issuing Treasury Bills to the Currency Note Redemption Account, or without this or a similar formality.[1]

There remains the attitude of the Bank in granting accommodation to the Money Market. As we have seen, great quantities of bills were brought to them at once, which, in combination with the amount of gold and notes taken out by the Joint Stock Banks, led to a rise in the Bank-rate from 4 per cent. on July 30th to 8 per cent. on July 31st, and to 10 per cent. on August 1st.

This violent movement was a mistake, the second jump to 10 per cent. being made, perhaps, under the influence of the Treasury, which was probably influenced by the traditional rule that the bank-rate must be 10 per cent. as a prior condition to the grant of emergency assistance. The principle that the bank-rate must be raised in a crisis is in general sound, but it was applied in this case without sufficient regard to the special circumstances. In general a high bank-rate has the effect of attracting gold from abroad or retaining it at home, while a moderate bank-rate, on the other hand, restores confidence. Usually the Bank has to compromise between these opposite influences. On this occasion a high bank-rate was useless in the special circumstances for the first purpose, and the need of establishing confidence became, therefore, the dominating consideration. The 10 per cent. bank-rate caused great alarm amongst the general public, as well as to the discount houses to whom such a rate would be ruinous and who feared for a moment, though baselessly, that it might be a prelude to refusing them accommodation altogether.

The mistake, however, was quickly realised and corrected. When the Bank reopened on August 7th, the rate was down to 6 per cent., and was further reduced to 5 per cent. on the following day. This was flying, perhaps, to the opposite extreme. Six per cent. was quite low enough for the bank-rate in the circumstances, and probably too low as the rate of interest payable on non-interest bearing debts, postponed under the terms of the

1 The return for September 2 shows that this course has actually been followed, £11,000,000 of the balance standing to the credit of the Note Redemption Account having been taken in aid of the Exchequer Balances and only the remaining £6,000,000 standing as a free credit at the Bank of England. Subsequently on September 9 £3,000,000 of the latter was "earmarked" in gold for the Note Account.

Moratorium. As it was, a man who could easily pay a debt by obtaining his usual accommodation from his banker, might find it cheaper to avail himself of the Moratorium. The rate on Moratorium debts ought to have been appreciably higher than the rate chargeable by bankers on overdraft accounts.[1]

The low bank-rate, however, assured the Money Market of ample funds at a moderate charge. The effect of this was greatly reinforced by the Government's guarantee on pre-Moratorium bills, which we have already discussed. The Banks and Discount Houses secured their position by turning their bills into credits at the Bank of England. To keep so large an amount of funds idle naturally cost them something, their loss being the Bank of England's gain, but at 5 per cent. this was by no means insupportable. The growth *pari passu* of the "other deposits" and the "other securities" at the Bank of England is instructive :—

	Other Securities.	Other Deposits.
	£	£
July 22...	33,732,762	42,285,297
,, 29...	47,307,530	54,418,908
Aug. 7	65,351,656	56,749,610
,, 12...	70,786,596	83,326,113
,, 19...	94,726,086	108,094,287
,, 26...	109,904,670	123,892,659
Sept. 3...	121,820,692	138,818,826

These vast floating funds form a basis on which the Joint Stock Banks ought to feel perfectly free, so far as their own safety is concerned, to finance all reasonable business. The fear of their going too far and of the magnitude of these credits leading to inflationism does not exist for the present. But this is a possible danger of the future, and, as confidence is restored, it may be wise to raise, rather than to lower, the level of the bank-rate.

It is important to remark that the high level of the "other deposits" is no proof *in itself* that the Joint Stock Banks are unduly restricting the employment of their funds. However much they lend in the country, such loans can have no effect on the aggregate deposits of the Bank of England, except in so far as they lead to the export of gold (which is not likely at present), to the use of more gold or bank-notes (as distinguished from Treasury notes) in the internal circulation, or to the paying off at maturity of bills now held by the Bank of England (which any new loans may affect at first but indirectly).

While the recent business of the Bank of England has been on an unexampled scale, we see that, formally, the Bank has departed but very slightly from any of its normal practices. A conservative adaptation of its nineteenth-century traditions has

[1] The mistake of allowing too low a rate of interest on debts postponed under the Moratorium has been maintained and accentuated in the further Proclamation of September 2.

been sufficient, so far, to see it through. This is a just cause for satisfaction. The Bank of England has been so well founded and its instincts so aptly formed, that a stolid determination, half sleepy and half courageous, not to depart from its usual courses, has been enough.

Its peculiar mode of government might, in the unexpected circumstances of last month, have proved to be troublesome. As is well known, no representatives of the banks are, by old tradition, admitted to the Court of Directors of the Bank of England. These Directors are drawn, to a fairly large extent, from the oldest and best established Accepting Houses of the City. Now it has been primarily these Houses which have been in difficulties, and it has been their inability to meet their immediate engagements for which it was most urgently necessary to find a remedy. This close connection between the Bank of England and the Accepting Houses might have been embarrassing. I do not think this has actually been the case. We have to thank partly the City's admirable traditions, and partly the practice whereby the actual government of the Bank is mainly vested in the Governor and Deputy-Governor for the time being, one or two ex-Governors, and the permanent officials.

Praise is due also to the Treasury. In the hurry of the times, and subject to various influences and counsels, they have not done everything perfectly right. I have expressed doubts above in respect of the Bank-rate policy, and the Treasury may be assumed to have exercised some influence over this. The policy of so wide-embracing a Moratorium has been doubtful. The rate of interest payable by those availing themselves of it should certainly have been higher than six per cent.; and more definite steps should have been taken gradually to bring it to an end at an earlier date. The mode of guaranteeing pre-Moratorium bills was somewhat crude and expensive;—more direct attention might have been paid to the problem of getting new bills accepted; and as regards the old bills the Bank of England should have had two rates—bank-rate for bills taken "with recourse" to the last holder in the event of ultimate failure of the other parties, and two per cent. above bank-rate for bills taken "without recourse," the additional two per cent. being paid towards an insurance fund.

But most of these are points of detail. In matters of broad policy the Treasury have trod so far, as I think the effects of their measures have shown, the right path between doing too little and doing too much. They have acted on the whole with rapidity and with courage, and have combined a regard for principle with practical good sense in action.

In the dark and uncertain days which seemed to divide by an interminable period the last Thursday of July from the first Thursday of August, the City was like a very sick man, dazed and feverish, called in to prescribe for his own case. Its great Houses, suspecting the worst, could not then gauge exactly how ill they really were; and the leaders of the City were many of them too much overwhelmed by the dangers, to which they saw their own fortunes and good name exposed, to have much wits left for the public interest and safety. At this point the Minister and the Civil Servant, with no affairs of their own to divert them from the affairs of the country, alone stood possessed of the qualities which were instantly required of them.

VI.

We cannot yet reckon up losses. After the blackest week of its history, the City woke to find itself still alive and, if not well, with no organic or vital injury. In spite of the prolonged Bank Holiday and the Moratorium, I do not believe that anything has yet occurred to derogate from the international position of London. Many things will be done differently in the future, but no seeds of grass have yet been sown in the City's streets.

When from the public and not from the private point of view, we come to estimate the financial losses of war, certain considerations, apt to be overlooked, must be called to the notice of the prophesiers of too much evil.

The wealth of the world mainly consists (apart from knowledge and trained men) in such things as natural resources, drained, enclosed and cultivated fields, roads, railways, buildings, factories, and machinery. War may temporarily diminish the immediate usefulness of these, but, except in what is but a small part even of the countries directly affected, it does not destroy them. If there is no capital to complete an unfinished railway in Canada, what has been already done is, for the time, nearly useless. If the Continental market for Brazilian coffee is cut off, transport receipts suffer. When manufacturers have lost their market, machines and factories lie idle. If exporters have made bad debts or debts at present irrecoverable, profits and dividends must fall. But this is all loss of income, not of capital. We have not permanently lost the fruit of the savings of past years. War absorbs current savings and current income; it consumes and depletes our stock of consumable goods. But only to a very slight extent indeed does it destroy or diminish the world's accumulated improvements.

Although it is our current income, and not our capital, that is threatened, there is a false and misleading appearance, through the destruction of paper values, of an enormous and widespread loss of the latter. This is due to a violent change of equilibrium in the immediate exchange values of the three categories—capital goods, money, and consumable goods. This change is due to two more or less distinct influences, the one arising out of the state of finance, the other out of the state of consumption.

It is the business of financiers to hold their assets, through the medium of title deeds, bonds, and securities, in the form of goods, partly consumable but mainly fixed; while their liabilities, on the other hand, are in the form of promises to pay out sums of money. If the financiers are called on to fulfil their liabilities at a time when for reasons of prudence or panic people generally do not choose to have more of their resources than they need in the form of fixed capital goods, they are forced at any cost to themselves to turn their assets into money, even though they know well enough that the future money-value of their assets is certain to be far higher than the present money-value. The steps taken by the Government and the Bank of England have been partly directed towards meeting this unusual demand for money by manufacturing more of it (currency notes, bank notes, mintage of new silver coins, postal orders, and the creation of credits at the Bank of England), though this manufacture of new money must take place very circumspectly if in the long run it is not to do more harm than good; and partly to relieving financiers of their promises to pay money (the Moratorium[1]). These steps cannot be entirely successful and do not prevent a very great temporary alteration in the relative exchange value of fixed capital goods and money. This may involve great changes in the distribution of wealth as between individuals, and incidentally some destruction of organisation. But the capital goods themselves are not destroyed. When we read in the *Bankers' Magazine* that there was a fall of £188,000,000 between July 20th and July 30th in the money value of 387 representative securities, a large part of which are situated outside Europe, we learn not, as with the destruction of Liége or Louvain, of a loss of the world's real wealth, but only of the financial world's extreme urgency for money.

The change in the relative value of capital goods and of consumable goods, apart from changes relative to the connecting link

[1] The Moratorium is, of course, also designed to protect those whose liabilities are their own promises to pay and whose assets are other people's promises to pay.

of money, is a more real thing for the ordinary citizen who is without financial interests. Fluctuations in the relative value of capital goods and money can be partly remedied by artifice. But when we eliminate money and discover that a given quantity of capital goods purchases 10 per cent. less (or whatever the figure may eventually prove to be) of consumable goods, we have a proof or presage of general and material misfortune.

The value of a certain block of capital goods in terms of consumable goods at a given moment of time depends partly on the income of consumable goods to which the capital goods will ultimately give rise, and partly on the relative urgency of our need for present income and for the right to future income. For the purposes of war only the right to goods, consumable now or soon, is useful. The harvests, and the means to the harvests, of ten years hence do not count. We experience, therefore, a sudden and violent change in our relative valuation of present and future income. Where formerly we equated against 100 units of present goods 117 units of goods due three years hence, we now prefer 100 of present goods to 124, perhaps, of the goods of 1917. This shows itself in the rate of interest and in the number of years' purchase of each future year's income from the capital goods which the present exchange value of these capital goods represents. But the actual future income from the capital goods may remain exactly what it was.

This urgency for present goods is solid proof enough of impending distress and poverty in the present and the near future. The world will be cold and hungry this winter. But we must not argue from this that we are ruined for life, or suppose that even a war of three years can destroy, for the years which succeed it, the material benefits of the last twenty.

It was said in some of the German papers soon after war broke out, in answer to the question how the German Army could maintain itself in being for a long period, that the savings of the people amounted to 15,000 milliards and that the Government would begin with these. The savings of the German people, however they be stated in terms of milliards, are houses and railways and the like. Luckily for the material future of their country, not even the Prussian Army can eat rails and embankments or clothe itself in bricks and mortar.

J. M. KEYNES

NOTES AND MEMORANDA

Property, Philosophically and Religiously Regarded.

To anyone who has realised how fundamentally social problems in all ages have been bound up with the institution of property, and who has any sense of the historical development of opinion in this country, the appearance of a recent volume of essays under the editorship of the Bishop of Oxford[1] is a significant and arresting event. Its title dates it as belonging to the early twentieth or early sixteenth century, and marks it out as the effort, if not the exclusive effort, of Churchmen. The book owes its origin, as Bishop Gore explains in his Introduction, to the desire of Dr. Bartlet (of Mansfield College) and himself that literature of a popular kind should be issued dealing with the duties and rights of property from the point of view of the Biblical doctrine of stewardship, and that, as a necessary preliminary, a more thorough or philosophical treatment of the problem should be worked out, which should offer some principle or principles on which the institution could be judged and which should serve as a basis of teaching and policy. Such a treatment, Bishop Gore claims, has on the whole been achieved in the seven essays here presented. They fall into two chief groups—first, four essays by Professor Hobhouse, Dr. Hastings Rashdall, Mr. A. D. Lindsay, and Canon Scott Holland, which attempt theoretical analysis of the problem, and set up standards of judgment for it, at the same time reviewing earlier theories of property; and second, three essays by Dr. Vernon Bartlet, Dr. A. J. Carlyle, and Mr. H. G. Wood, dealing with the teaching of the Early, Mediæval, and Protestant Churches.

Two significant features of the volume deserve praise. The first is its protest against the attitude towards property so dominant in England in the eighteenth and nineteenth centuries—the view

[1] *Property: its Duties and Rights, Historically, Philosophically, and Religiously Regarded.* Essays by various writers, with an Introduction by the Bishop of Oxford. (London: Macmillan. 1913. Pp. xx + 198.)

that property is something ultimate and absolute. As Canon Scott Holland says, in a masterly survey of opinion from the Reformation onwards, it had come to be forgotten "that there was any question as to the right of private property to exist, or as to the conditions of its origin." The historical connection of this attitude with a narrowly individualistic view of life, and its total lack of justification are set out clearly, and open the way for a study of property as an institution to be judged, like other institutions, according as it serves the ends which the individual and society set before themselves. The second and even more significant point is that the book attempts, although not with great success, as we shall see, to bring ethical standards to bear on the problem. This is the true significance of its connection with the Church. For, with all their faults and terrible limitations, the Churches have been the great ethical teachers of mediæval and modern Europe—broadly speaking, the sole great force opposing the idea of positive duty towards others to that of self-interest, and the conception of brotherhood and community to that of individuals and rights. And ethical considerations, more than any others, need to be explained and emphasised to-day in dealing with questions of property; for the utilitarian philosophy, which superseded the philosophy of natural rights and which has had the deepest influence on English political thinking, has made them seem strange and fantastic to whole schools of thought—not least to schools of economic thought.

What principles, then, do these essayists offer us, on which we may base teaching and policy regarding the institution of property?

On one point there is a general consensus of opinion among them. Property in articles of consumption and in personal effects, and even tools, must remain private, individual, because, without such property, man remains a child, personal responsibility is impossible, and personality cannot develop. Some measure of individual control of external things is fundamental to freedom. This typical Hegelian position is accepted and emphasised by all the theoretical essayists, in spite of their varying degrees of sympathy with "German Idealism." Though it must be remarked that there never was any real question about private property in such things, it may be added that the point is very well put in these essays, and that it clears the ground to have it defined and isolated.

The criticism which has to be made is that no clear view is given of the limits of the property so justified, and indeed that,

especially in the essays of Professor Hobhouse and Canon Scott Holland, the fact that the question of limits is important is hardly realised. It is easy to extend the property required for the control and arrangement of life from clothes to the books of a teacher, the tools of a smith, the land of a peasant; and it is not possible to settle in any simple way how far the same is true of the factory of a manufacturer, the workshop of an engineer, the stock of a merchant, etc. In other words, one of the large questions regarding property relates to property in means of production used or actively controlled by the owner. No real discussion of that question is to be found here, though its existence is realised at places.

But, important as this question is, it is a small part of the whole problem of private property in means of production, and becomes smaller the more widely industry is carried on by joint-stock companies. The largest and most important question has to do with large property not directly used by the owner, but normally lent out or invested for use by others, although in a class of cases controlled by the owner. The volume is chiefly concerned with this problem—the problem of private property in the means of production, using the term roughly and not defining closely what it excludes; and it is one of its services that it sharply distinguishes between such property and "property for use."

On this subject a general consensus of opinion does *not* exist among the essayists, although the minority do not emphasise their differences. But the tone of the book on this point is set by Professor Hobhouse. His view is accepted, uncritically and as if it were satisfactorily proven, by Bishop Gore and Canon Scott Holland; and as it is the view which the former implies in his Introduction, may be regarded as the conclusion of the volume. Dr. Rashdall dissents and Mr. Lindsay agrees with such qualifications as amount to disagreement.

Professor Hobhouse's conclusion is that private property in the means of production should disappear, and be replaced by State or communal ownership—it being assumed that large-scale machine industry will continue. This conclusion is based on two positions—first, a description of such property in private ownership as essentially "property for power," with the implication that it makes workers who do not own such property dependent on the class which does—it puts them into the "power" of that class, which directs their labour for its own advantage; and second, a view that there is no justification for such property, since it is not property for use, and so is not required as a condition of individual freedom and responsibility.

Now, this is a very crude and one-sided view of the main question regarding property. It is more wrong than right in what it does see, and it fails to see some of the main elements of the problem, both ethical and economic.

In the first place, it is false to say that the essential fact about large private property is that it is property for power, which puts workmen under the control of the owner. The essential fact is that it gives the owner income without working for it—*i.e.*, gives him a property-income which does not involve reciprocal personal service, as the labour income does. It makes the owner, to speak roughly, a rent-charger on the industry of society. The essential fact about a propertied class—in the feudal system or in modern commercial society—is, and always was, leisure and large spending power—support by others in freedom from economic labour, with the opportunity and means to do other things—fight, govern, teach, vegetate, degenerate, or what not.

It is true that property does give a power over non-propertied workers, and that it may be badly used. But this "power" is no specific characteristic of *private* property in the means of production. It exists equally when such property is owned by a community or State. Railway servants would be just as dependent on property owned by others if the railways were nationalised. Disagreements in regard to wages and conditions between employer and employed would in no way be excluded. Certain elements of difference would, no doubt, be introduced by the change; but what these would be, on one side and another, Professor Hobhouse does not discuss, and it is absurd without such a discussion to denounce private property in means of production simply because it involves dependence of workers on property not owned by them. Further, Professor Hobhouse succeeds in exaggerating the whole question of industrial dependence by not making clear to himself and his readers (although he realises it in certain connections) that such dependence is a final and absolute fact of life, so far as men are workers dependent on earnings and conditions, and *a fortiori* in a Socialist State. It is a regrettable inconsequence in those who most of all realise the organic interdependent nature of man and society not squarely to face this plain fact. Failing to do so, they sometimes work up a righteous indignation about dependence on the power of others, which is largely misdirected and has in it elements of childishness. The result in regard to the problem of industrial control is a failure to see that the main force on which workers are dependent is the demand of their society for their services. The capitalist directs

labour and capital into production of commodities which others, and not he, will want; and their wants, and not his economic power, are the main forces which control the workman. This is not to say that his direct power as capitalist and employer is not large; nor is it to say that the power of the propertied class to direct production through its spending power is not large; but to judge these "powers" one must see them in proportion and as a part of wider forces. In this, this book fails; and instead presents a half-conscious, half-unconscious attempt to portray the problem of large property on the lines of the old Radical presentation of constitutional power.

It follows from his failure in analysing the main facts of the system of property, that Professor Hobhouse does not bring out the most fundamental question which it raises—an ethical question. The essential fact about large property being that it secures the owner income without work on his part, the essential question is: Why should he have such an income—this right to the services of his fellows—without work? The owner of property gets services from his society without guarantee of service on his part in return. Merely *quâ* property-owner, he gets and does not give (mere lending of property is not giving in the sense here in point). If, therefore, the property-owner is nothing more than a property-owner who spends his income, he is a drone, "a useless member of the commonwealth," and no matter how necessary private property might be held to be from a narrowly economic standpoint, it would in such circumstances be one of the ultimate wrongs—a wrong which the Church has always denounced in general, and at times in specific terms. The first question, therefore, regarding large private property is the ethical one: What service to society does the propertied class (and the propertied individual) render in return for the services which its property enables it to exact from society?

And as Professor Hobhouse's view prevents him from bringing out this question, so, in the second place, it leads him to apply a wrong standard of judgment to the system of private property in the means of production. He asks, in essence: Is large private property necessary to the growth of personality in the same way as "property for use" is? And since, of course, it is not, he condemns it as unjustifiable. But this is childish. It is surely necessary to ask whether the real effect of large property—viz., giving a class leisure and large spending power—may not be justifiable on other lines than those which justify property for use.

The main theoretical discussion of large private property in this

book is therefore so superficial and one-sided that it seems advisable to set against it a mere outline of the problem involved. First, large private property means that individuals obtain spending power (*i.e.*, services of others) without any guarantee that they will give services in return, and with the possibility that they will work evil rather than good. Second, such property involves an ethical wrong of the first magnitude, unless the propertied classes do, in fact, render services, and services in some rough way commensurate with their incomes. Third, the services required by society are not only the ordinary services of economic production—food, clothing, housing, etc. Society also needs services in matters of government, administration, economic control and development, thought, teaching, art, standards of life. Fourth, do these classes render such services? To some extent yes, to some extent no. Property provides them with the *opportunity* of performing services not easily or often performed by non-propertied people, just as much as it involves no guarantee that they will perform them. It is not at all clear of what extent and value the services performed by the propertied classes in this country are; the subject has not been seriously mapped out, and it is a complex one. Three points only seem certain :—(1) They do much service in various ways. (2) They do not do anything approaching the service they might, so far as their mere income is concerned. (3) The service rendered by a propertied individual will not be commensurate, even in the roughest way, with his income if the latter is very large. Fifth, is it probable that the valuable services which the propertied classes do perform can be provided for by some system not involving private property-incomes? This question has been scarcely tackled seriously; its answer can only be hoped for after a study of the elements of the fourth question has been made. Sixth, assuming that property does make possible important services not otherwise easy to obtain, are these obtained at a heavy cost of positive evil inflicted on society? And can such evil be limited or corrected by State control, or does it demand the abolition of property-incomes? Seventh, to isolate the first of two considerations of great economic importance, is the institution of private property and inheritance needed to induce the large saving which is the condition of the large supply of capital necessary with present knowledge to maintain the enormous population of industrial nations, and keep up even the present average income per head? And could a Socialistic system in practice provide for this condition of industry? No one can answer the second part of this question with any assurance

OBJECTIONS TO A COMPENSATED DOLLAR ANSWERED

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OBJECTIONS TO A COMPENSATED DOLLAR ANSWERED

In *The Purchasing Power of Money* (1911) I sketched a plan for controlling the price level, *i.e.*, standardizing the purchasing power of monetary units. This plan was presented more briefly, but in more popular language, before the International Congress of Chambers of Commerce, at Boston, September, 1912. The details were most fully elaborated in the *Quarterly Journal of Economics*, February, 1913. Following these and various other presentations of the subject, especially the discussion at the meeting of the American Economic Association in December, 1912, the plan was widely criticised by economists, both favorably and unfavorably, as well as by the general public. The bibliography at the end of this article is selected from a list of 344 references (of which 305 are newspapers), and I there include references to anticipations of the plan by Professor Simon Newcomb and Aneurin Williams, M. P.[1]

On the whole the plan has been received with far more favor than I had dared to hope and even the adverse criticism has usually been tempered by a certain degree of approval.

The object of the present paper is to answer briefly the more important and technical objections which have been raised. The chief popular objections and misunderstandings were answered by an article in the *New York Times*, December 22, 1912. Only one of these is included in this article. Answers to the more popular objections, omitted from this article through lack of space, will appear in a book, *Standardizing the Dollar*, which I hope to publish in 1915.

[1] Mr. Williams' plan, described in 1892, was first brought to my attention after the American Economic Association discussion. That of Simon Newcomb, the famous astronomer (and economist), appeared in 1879. I came upon it by accident after the present article was in type, in searching for data on the allied subject of an absolute standard of value. Newcomb's and Williams' plans are so nearly identical with mine as to leave nothing vital which I can still claim as original and unanticipated except the proviso against gold speculation. Among others who have anticipated the general idea of changing the weight of the dollar are, William C Foster of Watertown, Mass., Henry Heaton of Atlantic, Iowa, Professor Alfred Marshall (*Contemporary Review*, Mar. 1887, p. 371, footnote), and President Woodrow Wilson. In a book which I hope to publish on this subject in a few months, I shall include references to several other, though less similar, anticipations which have come to light, one being by Alfred Russell Wallace.

I shall begin with a skeleton statement of the plan; space is lacking for more. In brief, the plan is *virtually* to vary each month the weight of the gold dollar, or other unit, and to vary it in such a way as to enable it always to have substantially the same general purchasing power. The word "virtually" is emphasized, lest, as has frequently happened, any one should imagine that the actual gold coins were to be recoined at a new weight each month. The simplest disposition of existing gold coins would be to call them in and issue paper certificates therefor. The virtual gold dollar would then be that varying quantum of gold *bullion* in which each dollar of these certificates could be redeemed. The situation would be only slightly different from that at present, since very little actual gold now circulates; instead, the public uses gold certificates, obtained on the deposit of gold bullion at the Treasury, and redeemable in gold bullion at the Treasury at the rate of 25.8 grains, nine tenths fine, per dollar. The only important change which would be introduced by the plan is in the redemption bullion; we would substitute for 25.8 a new figure each month. The gold miner, or other owners of bullion, would, just as now, deposit gold at the United States Mint or Treasury and receive paper representatives, while the jeweler, exporter, and other holders of these certificates would, just as now, present them to the Treasury when gold bullion was desired.

There would also be a small fee or "brassage," of, say, 1 per cent for "coinage," *i.e.*, for depositing the bullion and obtaining its paper circulating representative. In other words, the government would buy gold bullion at 1 per cent less than it sold it. This pair of prices, for buying and selling, would be shifted in unison, both up or both down, from month to month, it being provided, however, that no single shift should exceed 1 per cent, a figure equal to the amount by which the two differ. The object of this proviso is to prevent speculation in gold.

To determine each month what the pair of prices should be, or, what is practically the same thing, to determine what amount of gold bullion should be received and paid out in exchange for paper, recourse would be had to an official index number of prices. If, in any month, the index number is found to deviate from the initial par, the weight of bullion in which it shall be redeemable the next month is to be corrected in proportion to this deviation. Thus, the depreciation of gold would lead to a heavier virtual dollar; and an appreciation, to a lighter virtual dollar.

There are, of course, other details and possible variants of the plan, some of which will be referred to later when necessary. The objections to the plan are classified under the fourteen heads named.

1. "*The plan assumes the truth of the quantity theory of money.*" The impression that the plan is dependent on the truth of the quantity theory of money is presumably due to the fact that I have defended that theory (in a modified form) in my *Purchasing Power of Money*. But there is nothing whatever in the plan itself which could not be accepted by those who reject the quantity theory altogether. On the contrary, the plan will seem simpler, I think, to those who believe a direct relationship exists between the purchasing power of the dollar and the bullion from which it is made—without any intermediation of the quantity of money—than it will seem to quantity theorists. In fact, one economist, Professor B. M. Anderson, Jr., said at the meeting of the American Economic Association above referred to, "Because I am *not* a quantity theorist, I am disposed to believe that Professor Irving Fisher's plan of stabilizing the dollar might be feasible."

2. "*It contradicts the quantity theory.*" This objection, the opposite of that above, is raised by some, who, like Professor Boissevain, believe in the quantity theory, but imagine that the operation of the plan could not affect the quantity of money at all (or would not affect it to the degree needed).[2] But evidently an increase in the weight of the virtual dollar, *i.e.*, a reduction in the price of gold bullion, would tend to contract the currency, by diverting gold from the mint into the arts; because its reduced price would cause an increased demand and consumption. A decrease, of course, would have the opposite effect.

3. "*The correction of the price level would be too sudden.*" It is objected by some that there would be a sudden jump in the index number at every monthly adjustment. But all adjustments require time. Changes of the flow of gold into or out of circulation are like changes in a mill pond from the sluice gates. The pond does not jump its level down or up every time the gate is opened or closed. The change of level begins immediately but it is not *completed* immediately.

4. "*The correction of the price level would be too slow.*" Some are dubious as to whether it would not take "years" for any ef-

[2] For answer to this statement see objections 5, 9, 11, and 12.

fect of a change in the dollar on the price level to follow. How prompt the effect would actually be, we have no exact means of knowing. I should expect an appreciable effect within a week. One can scarcely deny that the effect would *begin* at once, for the instant that the price of gold is decreased, even a little, there would be at least *some* tendency to increase the use of gold in the arts and, consequently, an *immediate* reduction in the amount of gold taken to the government for money. If this be conceded, the plan would surely, under any conceivable circumstances, have a great and quick influence toward stability.

There are some cases sufficiently analogous to be illuminating on this point. The closure of the Indian mints in 1893 had an almost immediate influence in raising the value of the rupee.[3] The rate of exchange on London in New York has often changed from the maximum to the minimum inside of a fortnight. Again, Canadian and American price levels, as worked out by the labor bureaus of the two countries correspond with each other year by year with extreme precision. Even month by month, judging by a careful comparison for twenty-four months, the agreement is very noticeable. The price levels of different countries tend to approximate each other like two connected lakes, through the overflow of currency from one to the other, back and forth. That the adjustment should be so delicate and prompt as between countries whose centers average hundreds of miles apart and whose trade currents are obstructed by high tariffs is not only astonishing but extremely significant.

But it is not necessary to prove that the correction of deviations would be rapid in order that the plan may be accepted as superior to the present arrangement. It need only be pointed out that any correction at all is better than none.

5. "*It might aggravate the evils it seeks to remedy.*" This objection, raised by Professor Taussig and a few others, is based on the preceding. It is claimed that an increase in coined money may take place for years "without visible effect on prices; then comes a flare-up, so to speak." I doubt if Professor Taussig meant the first half of this statement to be quite so strong. The evidence only justifies the statement that the rise is slow at first

[3] See, *e.g.*, tables of silver and rupees in relation to gold in *Financial and Commercial Statistics for British India*, Calcutta, 1895, p. 353, showing that the first figures available after the closure of the mints which occurred in June 1893—*i.e.*, about a month and a half after that event—show a marked appreciation of the rupee.

and rapid later while similarly the effect of a scarcity of money is slow at first and rapid later. Professor Taussig then proceeds to apply the same idea to my plan:

The cumulative consequence would be like the cumulative consequence of a long continued decline in gold production. After a season or two of declining bank reserves, tight money, and so on, a sudden collapse might be occasioned, and apparently caused, by the announcement of some particular seigniorage adjustment. Then there might be a decline in prices much greater than in proportion to the bullion change.

But the working of the compensated dollar would not be in the least analogous to the operation of gold inflation or contraction, even as Professor Taussig supposes it. The plan always works cumulatively *toward* par, never cumulatively *away from* par. One often sees a wagon with its wheels on a street-railway track having some difficulty getting off; the front wheels have to be turned at a large angle before they are forced out of their grooves; then of a sudden they jump away. This is analogous to the delayed "flare-up" of prices which Professor Taussig supposes under the influence of a long continued decline or increase in the gold supply. But if the driver instead of trying to turn out is trying to keep the wagon on the track he will pull the horse back at every tendency to turn to the right or left. The more the horse turns to the right the harder will the driver endeavor to turn him to the left. Clearly the effect of the driver's efforts will be to avert or delay, not to aggravate or hasten, any jumping out of the grooves which other causes may tend to produce.

In other words, if it takes as much time as Professor Taussig fears for a pressure on prices to move them, then so much the more certain is it that, under the plan, deviations from par, though they may be persistent, can not be either rapid or wide. A long continued small deviation gives plenty of time for the counter pressure exerted by the compensating device to accumulate and head off any wide deviation.

Suppose that, following Professor Taussig's ideas, some cause such as an increase of gold production would, in the absence of the compensated dollar plan, gradually lift the price level as follows: during the first year, not at all; during the second year, 1 per cent; during the third year, 2 per cent; after which would come a "flare-up" of 10 per cent. We may suppose then that, if the plan were in operation during the first year, there being no deviation visible, there would be no change in the weight of the

dollar. After the first month of the second year when prices were 1 per cent above par, the weight of the dollar would according to the plan be raised 1 per cent. If this were unavailing, so that in the second month the deviation were still 1 per cent, the weight of the dollar would be again increased 1 per cent. Every month, as long as the deviation of 1 per cent lasts, the weight of the dollar would receive an *additional* 1 per cent. Unless some effect were produced on the supposed original schedule of deviations, the weight of the dollar of the second year would be increased 12 per cent, and by the end of the third year by 24 per cent more, or 36 per cent in all. But it is clear that by this time, with so swollen a dollar, the "flare-up" scheduled for the fourth year could not occur, but that a counter movement would set in—in fact, would have set in long before the dollar became so heavily counterpoised. Nor could the result of the counterpoise, even if so heavy, be to swing suddenly prices far below par. Prices would, by hypothesis, yield slowly and again give time for taking the counterpoise off. If the price level sank, say to 1 per cent below par for six months, then to 2 per cent for another six months and to 3 per cent in the next six months, evidently the entire 36 per cent would be taken off in eighteen months (since $1 \times 6 + 2 \times 6 + 3 \times 6 = 36$). The compensating device is thus similar to the governor on a steam engine. It is the balance wheel that is largest and hardest to move which is the most easily controlled by the governor. So if the "flare-up" theory is true, the system will work more perfectly than if it were not true.

6. "*It would not work unless every single mint in the world employed it.*" This is an error. Although it could be easily shown to be politically inadvisable for one nation alone to operate the plan, this would not be economically impossible. Those who hold the contrary are deceived by the term "mint price." They reason that our mint price ($18.60 an ounce of gold, 9/10 fine) and England's mint price (£3. 17s. 10½d. for gold 11/12 fine) are now "the same," and that, consequently, if our price were lowered 1 per cent, *i.e.*, to $18.41, while the English price remained unchanged, *all* our gold would be taken to England to take advantage of the "higher" price there. But these comparisons between English and American prices are based on the present "par of exchange" ($4.866 of American money for the English sovereign); which par of exchange is in turn based on the relative weights of the dollar and the sovereign.

As soon as our dollar were made 1 per cent heavier, not only would the new American mint price go down 1 per cent, but the par of exchange would also go down 1 per cent, to $4.82. Consequently, the new mint price of $18.41, although in figures it is lower than the old, yet, being in heavier dollars, would still be "the same" as the English mint price of £3. 17s. 10½d. This sameness of mint price as between the two countries means at bottom merely that an ounce of gold in America is equivalent to an ounce of gold in England.

It is true that each increase in the weight of the virtual dollar in America—in other words, each fall in the official American price of gold—would at first discourage the minting of gold in America. The miner would *at first* send his gold to London, where the mint price was the same as formerly, and realize by selling exchange on the London credit thus obtained. But the rate of exchange would soon be affected through these very operations, by which he attempted to profit, and his profit would soon be reduced to zero; the export of gold to England would increase the supply of bills of exchange in America drawn on London and lower the rate of exchange until there would be no longer any profit in sending gold from the United States to England and selling exchange against it. When this happened it would be as profitable to sell gold to American mints at $18.41 per ounce as to ship it abroad; and $18.41 in America would be the exact equivalent at the new par of exchange ($4.82) of the English mint price of £3. 17s. 10½d.

7. "*The system would be destroyed by war.*" Professor Taussig fears that if money were stabilized, the system would itself be upset by war. "Any war would put an end to it." To this I would reply: first, that if war did put an end to it the system would do good so long as it lasted and its discontinuance would do no more harm than the existence of our present unscientific system is doing at all times; secondly, I do not see any reason for thinking that war would put an end to it.

Possibly Professor Taussig has in mind the first form in which I explained the plan, *viz.*, in my book, *The Purchasing Power of Money*. In that form one country was to serve as a center and all other countries were to have the gold exchange standard in terms of gold reserves in the central country, just as now the Philippines have a gold exchange standard with reference to the United States, and India with reference to England. Professor

Taussig's objection would undoubtedly apply, to some extent, in cases where the plan was carried out through the gold exchange mechanism. But where the system was independently established in each country simply parallel to the systems in other countries, there would be no more need for its abandonment in case of war than for the abandonment now by Germany of the gold standard because England, its enemy, has the gold standard also. We know, of course, that in time of war, the gold standard is often temporarily abandoned in favor of a paper standard; and the new proposal would not escape such a difficulty. This, however, would not be due to the international character of the plan, but to the exigencies of war.

8. "*The multiple standard is not ideal. Especially is it faulty when the cause of price movements is entirely a matter of the abundance or scarcity of goods in general.*" Those who hold this objection point out that an ideal standard would not be one which always smooths out the price level but one which discriminates and leaves unchanged such rises and falls as are due to general scarcity and abundance of goods. There is much to be said in favor of such discrimination as an ideal. It must be admitted that the compensated dollar plan would not discriminate between changes in the price level due to the scarcity or abundance of goods in general and those due to changes in money and credit. It must be further admitted that a theoretically ideal standard would take some account of this distinction. But the compensated dollar plan does not claim to be ideal. The plan would simply correct the gold standard to make it conform to a multiple commodity standard. It does not pretend to correct the multiple commodity standard to make it conform to some "absolute" standard of value.

Such an ideal standard is as unattainable as is absolute space. Changes in relative value indicate change in absolute value, either of goods or of money; but it is not possible for us to know, except in a general way, how much of the absolute change is in goods and how much in the dollar. On general principles we may be assured that the absolute change is wholly or mostly in the dollar. We economists in our measurements of value are in much the same predicament as the astronomers. Our economical "fixed stars" are fixed only in a relative sense. We cannot measure the empty spaces of absolute value, but can only express values in terms of visible goods, the general average of which is the nearest approach to absolute invariability we can, in practice, reach.

But if it were possible to measure absolute values to our universal satisfaction, in terms, say, of "marginal utility," or of "disutility of labor," or of anything else, there are no statistics by which we can realize such a standard in practice. The only readily available statistics by which we can correct our present standard are price statistics from the great markets. We can, by index numbers based on these price statistics, translate from gold into commodities, but as yet we can not translate from commodities into any ideal or absolute standard.

If I were treating of the problem of an ideal standard of value, I think I should be inclined to agree with Professor Marshall that a standard that represents a gradually descending scale of prices to keep pace with the "real" cheapening improvements in industrial processes is better than one which represents an absolute constancy of prices. But it would be quite impracticable to discover the exact rate of fall of prices which would correctly register the improvement going on in industry, and, moreover, it would, I believe, be so small as not to depart much from the multiple standard. This I infer is also the opinion of Professor Marshall.

Professor Kinley makes the very interesting suggestion that we can suppose a more ideal standard than the tabular by making our unit a definite percentage of the national annual dividend. This appeals to me as a rough and ready way of fixing a unit more nearly ideal than that fixed by the tabular standard. But it would certainly not be practicable. It would not even be quite ideal. But if Professor Kinley will measure his standard, the compensated dollar plan will be able to take care of it.

In fact, if we could find a more absolute standard than the tabular standard and could accurately measure it in statistics, precisely the same method of compensating the dollar could be employed to keep the dollar in tune with that standard as with the tabular standard. The only difference would be that the guiding index would be different. The plan for compensating the dollar does not in essence consist in selecting the multiple or any other standard. It consists in a method of making the monetary unit conform to any standard chosen. But there is convincing evidence that the multiple standard is usually near enough to the ideal for all practical purposes and infinitely nearer than the gold standard. *While individual goods may vary greatly in absolute value the general mass of goods will vary comparatively little and*

seldom. There may be some absolute change in the general mass of commodities but it must usually be extremely small in comparison with changes in any one commodity like gold. It is clear from the theory of chances that this must be the case. The odds are hundreds to one that the variations in absolute value in several hundred commodities will offset each other to a large degree. We very seldom have world feasts or world famines. If the corn crop is short in some places it is abundant in others. If it is short everywhere the crop of wheat or barley or something else is practically certain not to be. We cannot expect that everything will usually move in one and the same direction. If there is a war in Japan, it is not likely that there will also be a war in India. A world war or even anything as near to a world war as the present conflict in Europe is a most unusual thing.

A standard composed of several hundred commodities must therefore be, in all human probability, more stable than a standard based, as is our present gold standard, on one commodity. Bimetallists made much of this point when claiming that two metals joined together were steadier than one, just as two tipsy men walk more steadily arm in arm than separately. Still more steady is the average of a hundred commodities just as a line of a hundred tipsy men abreast and holding each other's arms will march even more steadily than two. This is because it is wholly unlikely that every man in the line will lurch in the same direction at the same instant. The lurching of some in one direction can always be depended on to offset almost entirely the lurching of others in the other direction. This theory of probabilities in its application to the present rise of prices is, I believe, borne out by the facts.

After a careful study of all available evidence, I am convinced that the present general rise in prices beginning in 1896, can not be traced to any simultaneous scarcity of goods. I refer the reader to *Why Is the Dollar Shrinking?* where I have given the summary of the evidence. I think the facts are equally clear that the great fall in prices from 1873 to 1896 can not be laid, wholly at least, to the increasing plentifulness of goods.

Finally, even if we could measure and apply an absolute standard, it is doubtful if, in practice, it would be of any more service in regulating contracts, than a multiple standard. For after all, as I have tried to show in *Appreciation and Interest*[4] what we want

[4] *Publications of the American Economic Association,* third series, vol. XI, no. 4 (Aug., 1896), pp. 331-442.

in a contract is something that is *dependable* rather than something that is absolutely constant; and the multiple standard gives dependability in terms of the ordinary familiar staple necessities of life. If we could know that the dollar always means a definite collection of goods, we could know that the bondholder or the salaried man who gets a stated income of $100 a month, would have the same command over actual goods, and such knowledge would be of great service. This whole subject I have discussed in chapter 10 of my *Purchasing Power of Money.*

9. "*It would be inadequate to check rapid and large changes of the price level.*" Owing to the narrow limits, *e.g.*, 1 per cent as stated, imposed on the monthly adjustments, it is quite true that a sudden and strong tendency of prices to rise or fall could not be completely checked. If prices were to rise 8 per cent per annum and the plan permitted no more rapid shift than 6 per cent per annum, this would leave only 2 per cent per annum uncorrected, or only one fourth the rate at which prices would rise if wholly uncorrected. But half (or in this illustration three quarters of) a loaf is better than no bread. Moreover such extreme cases are rare and when they occur there is all the keener need for mitigation even if it be somewhat inadequate. Ultimately, of course, after the rapid spurt has abated, the counterpoise, in its relentless pursuit, would overtake the escaped price level and bring it back to par.

10. "*The correction always comes too late.*" It is objected that the plan does not make any correction until actual deviation has occurred, and so the remedy always lags behind the disease. It is true that the corrections follow the deviations. They could not precede them unless we foreknew what the deviations were to be; and we could not afford to entrust the work of guessing to government officials. In this respect, as in others, the plan does not attain perfection; yet it is infinitely better than the present plan, which leaves the standard haphazard. It is also pointed out that after the correction is applied it may happen that prices will take the opposite turn, in which case the remedy actually aggravates the disease. But, taking the extremely fitful course of prices since 1896 and correcting it according to the plan, month by month, as shown in the *Quarterly Journal of Economics* diagram, we find that in nine cases out of ten the opposite is true. Even in the few remaining cases the deflections were very slight and were, of course, soon corrected immediately after the following

adjustments. If the corrections are sufficiently frequent, it is impossible not to maintain, in general, an extremely steady adjustment.

When steering an automobile the chauffeur can only correct the deviation from its intended course *after* the deviation has occurred; yet, by making these corrections sufficiently frequent, he can keep his course so steady that the aberrations are scarcely perceptible. There seems no reason why the monetary automobile cannot be driven almost equally straight.

11. "*The plan assumes that a 1 per cent fluctuation can be exactly corrected by a 1 per cent adjustment of the dollar's weight.*" Owing, I fear, to my own fault of phrasing, I have found that several people have acquired the mistaken impression that the plan requires, to be made at each adjustment, an increase of 1 per cent in the weight of the dollar for every 1 per cent *increase* of the index number since the last adjustment; whereas actually the plan requires, to be made at each adjustment, an increase of 1 per cent in the weight of the dollar for every 1 per cent excess of the index number *above par* then outstanding.

From this mistaken premise it has naturally been inferred that, in order that the plan should work correctly, a 1 per cent loading of the dollar would always have to exactly correct a 1 per cent change in the index number, and, very properly, the critics doubted the truth of this. But since the premise was mistaken the objection based on it disappears.

The supposed rule and the true rule for correcting may be contrasted by a numerical illustration which will also show clearly how surely and swiftly the system would push back every deviation of the index number from par. Assume the system launched at a certain date and the index number of prices at that date to be called 100 per cent or par. Let us suppose that, were it not for the operation of the plan, the index number would be rising 1 per cent per month indefinitely. Since no change in the dollar's weight can occur until the first month has passed, the index number will, at the end of the first month, register 101 per cent. The excess above par of 1 per cent is now the signal for increasing the weight of the dollar by 1 per cent. (In this case the excess above par happens to coincide with the increase during the month, which is also 1 per cent.) The dollar is therefore loaded 1 per cent. Let us now assume, with the critics, that a change of 1 per cent in the weight of the dollar does not exactly

correct this rise but represses it during the month, let us say, by only $\frac{1}{2}$ per cent. Then, at the end of the next month the price level will be 101 per cent less the $\frac{1}{2}$ per cent correction produced, plus the assumed 1 per cent increase during the month ($101 - \frac{1}{2} + 1$) or, $101\frac{1}{2}$ per cent in all.

It will now be observed that the signal for loading the dollar stands at $1\frac{1}{2}$ per cent (although the actual rise in the number has been only $\frac{1}{2}$ per cent). Accordingly, the weight of the dollar will be increased $1\frac{1}{2}$ per cent (not $\frac{1}{2}$ per cent) and will repress the price level, according to our supposition not by $1\frac{1}{2}$ per cent but, say, by $\frac{3}{4}$ per cent; consequently, at the end of the next month, the price level will be $101\frac{1}{2} - \frac{3}{4} + 1$ or $101\frac{3}{4}$.

The signal for the next loading now stands at $1\frac{3}{4}$ per cent (although the actual rise has been only $\frac{1}{4}$ per cent). Consequently the dollar will now be increased $1\frac{3}{4}$ per cent (not $\frac{1}{4}$ per cent).

By the same reasoning, the result at the end of the next month will be $101\frac{3}{4} - \frac{7}{8} + 1$ or $101\frac{7}{8}$ per cent (although the rise has been only $\frac{1}{8}$ per cent); and at the end of the next, 101 15/16 per cent (although the rise has been only 1/16 per cent). According to the rule supposed, the price level would never reach 2 per cent.

Thus, if in a series of years the price level would have risen, without the operation of the plan, say, 50 per cent, it may well be that, with the plan in operation, there would be an increase in the weight of the dollar of fully 100 per cent (not 50 per cent) and that throughout the period the price level would have been kept always within 2 per cent of par.

It is therefore not essential that a 1 per cent increase in the dollar's weight should exactly correct a 1 per cent increase in prices. It is only essential that the correction should work toward par. Even if the effect of a 1 per cent loading is $\frac{1}{4}$ per cent or smaller, the cumulative effect of increasing the counterpoise may be trusted to handle the situation. In this connection the numerical example under objection 5 may be read.

12. "*It would offer too tempting a profit.*" This objection is that there would be a constant temptation to coin the so-called "seigniorage" or excess of the virtual or bullion dollar over the coined dollar of 25.8 grains, assuming that these coins are still employed.

Some of the objectors say that the coinage of this seigniorage would, or might, break down the plan by depleting the redemption

reserve. Others, as *The Financial Chronicle*, say that it would nullify the plan because the coinage of the gold would result in just as many dollars in circulation as without the plan.

But even if the government should attempt to seize the reserve for its own private funds the result would not necessarily be a failure to redeem. Any attempt of the government to coin the seigniorage for its own profit would tend to defeat itself; for to inject this new gold coin into the circulation would soon cause a back flow of redundant currency; then gold coin or certificates would be presented to the government for redemption in gold bullion.

This point is overlooked in the very specious argument that the coinage would restore the original number of dollars. To illustrate clearly what these objectors have in mind, let us suppose the seigniorage to be so large that every dollar of 25.8 grains coined would require the bringing to the Mint or Treasury 51.6 grains, of which the Mint would retain half. Suppose, further, that the currency contains, say, 500 millions of gold dollars in circulation, and that, according to the large seigniorage, the Treasury holds bullion capable of being coined into 500 millions more. Suppose further, for the sake of argument, that, were it not for the compensated dollar or seigniorage plan, the whole of this gold would be in circulation, making 1,000 million dollars. The critics referred to think that the coinage of the seigniorage would put back the gold in circulation to this 1,000 millions. They ask triumphantly of what avail would be the raising of the weight of the virtual dollar, if, by coining the seigniorage, every 51.6 grains becomes two dollars after all, instead of one.

This supposed demonstration overlooks the important fact that, under the plan, the price of gold would be lowered just as fast as was necessary to prevent the inflation of the currency which these objectors imagine. That is, the attempt to inject coined seigniorage into the circulation would, as soon as the inflation effect was felt, be registered in an index above par. This would signal, of course, for an increase to be made in the weight of bullion which the miner must bring to get a dollar and also in the weight at which the government must redeem the dollars, paper or coin, in circulation; in other words, it would lower the price of gold. This lowered price would lead, as always, to a flowing of gold into the arts. The flow would proceed in one or both of two streams. Buyers of the cheapened gold bullion could get it direct

from the miner, to that extent keeping it from passing into circulation, or they could get it from the government in redemption of gold coin or paper certificates. The more seigniorage the government sought to take and spend, the more persistently would the index number signal for reducing the price of gold. The price of gold would drop month by month and the government would be compelled to sell a larger and larger amount of its dwindling stock for gold coin or paper certificates. As long as the government kept up this self-inflicted endless chain the result would be not to flood the currency—for the coins put out would return for the purchase of bullion—but to flood the jewelry trade with the cheapened gold, or, to send the gold abroad whenever the compensating plan was not in use. Supposing that to maintain a constant price level required the draining away from circulation into the arts of all coins beyond 100 million, it would follow that the fall of mint price would proceed up to that point. Of course such a mad policy, if persisted in, would end in inability to redeem. In other words, to persist in it too far would be to abandon the compensating plan. It could be pursued without breakdown only up to the point where the gold reserve was still adequate. But it could not be pursued at all without revoking the proviso of the plan that the reserve funds should be treated as a trust fund just as inviolable as the one billion dollars of gold now behind the gold certificates.

There would be no more danger of the government appropriating the gold reserve to its own use than there is now danger of its seizing the present reserve for the greenbacks, or the present 100 per cent reserve for the gold certificates (which could readily be converted into notes), or the reserve to be created for the new banking system. To take a near parallel, the Philippine and Indian governments have never yet been in danger of abusing the store of pesos or rupees by reissuing them in order to help out the government exchequer. If, for the moment, they pass out too fast they immediately come back for redemption in gold exchange.

There is always with us a latent danger of inflation; but if the compensated dollar should be adopted, that danger would be diminished. The plan would involve a double education: First, it could not be adopted until it was realized that its object was to stabilize prices and maintain the constancy of the purchasing power of the dollar. In the second place, it would, therefore, always be a standing object-lesson as to the same principle. The constant buy-

ing and selling of gold by the government at variable rates would give rise to questions by the uninformed public as to the object in view; and the constant clinging to par of the published index number of prices would be eloquent testimony of how the system worked. Any attempt to break down the system would thus be a deliberate departure from the principle of uniformity in the purchasing power of the dollar. As it is at present, inflation can be suggested without the question of changing the purchasing power of the dollar being so clearly thrust forward, since our present system does not even pretend to, or give any mechanism for, such stability.

13. "*The plan would be sure to create dissatisfaction and quarreling.*" This fear is, I believe, wholly imaginary. There would be some ground for it if the proposal were to adopt the old "tabular standard" by correcting money payments through the addition to or substraction from the debt of a certain number of dollars. Under these circumstances the extra dollars paid or the dollars from which the debtors were excused would stand out definitely and would be a subject for debate and dispute, but if the tabular standard were merged in the actual money of the country the ordinary debtor and creditor would be as unaware of how his interests had been affected as he is now unaware of how his interests are affected by gold appreciation. It would still be true that to the ordinary man "a dollar is a dollar."

The contrast between the complaints which might arise under the tabular standard as proposed by Jevons and under the plan proposed here is the contrast between complaints which occur under direct and those which occur under indirect taxation. The taxpayer feels the burden of direct taxation, but even the economist cannot raise him from his lethargy enough to make him complain against the outrages of indirect taxation. It must be remembered that it required several generations to bring the American consumer up to the point of protesting against a high tariff; and even this protest, when it came, was largely based on the recent general rise in the cost of living mistakenly attributed to the tariff as the chief cause.

The truth is that if the proposed system were at once adopted, there would be very little attention paid to what "might have been" if some other plan or index number had been in use. Few besides the jeweler and the miner would be vitally interested in the changes in the government prices. An actual illustration is found in the

fact that the average Filipino or the average inhabitant of India has had no real conception of the vital changes which have been wrought in the purchasing power of his money by the adoption of the "gold exchange standard," if, indeed, he ever heard of it; and no discontent has come from the contrast between what his purchasing power is and what it would have been had the silver standard been retained. In fact, we do not need to seek so far for an illustration. We have it at hand in the very subject we are discussing. The average man does not complain of the present gold standard though billions of dollars are lost thereby. Few realize that the depreciation of gold has affected or can affect the interests of creditor and debtor. We economists may calculate this and show by index numbers that in the last fifteen years the savings bank depositor has been, as it were, cheated out of all his interest by the depreciation of his principal, but he does not yet realize either this fact or its cause. We may similarly show that the bondholder has not really been getting any interest at all but simply eating up his principal; but the ordinary man who believes "a dollar is a dollar" takes little stock in such a curious idea and, if he finds any fault at all with rising prices, vents his wrath not upon the gold mines or the expansion of deposit banking but upon the luckless middlemen, the cold storage plants, the trusts, the tariff, the trade unions, and so forth.

If then, we cannot get the ordinary man today really excited over the fact that his monetary standard has affected him to the tune of some 50 per cent of his principal of fifteen years ago, it does not seem likely that he could get excited because some one tells him that the index number used in the "compensated dollar" plan robbed him of 1 or 5 per cent as compared with some other possible system.

The debtor class favored in large measure bimetallism, or free silver, as a means of helping them pay debts, while the creditor class opposed it. But this was a question of changing the standard, not of keeping it unchanged. If it were proposed to shorten the yardstick, undoubtedly many who would profit in the outstanding contracts would and ought to oppose it. But there is and can be no contest over efforts to keep the yardstick from changing. To establish a new standard would be as difficult perhaps as it was to establish the metric system of weights and measures, but after it was established there would be practical unanimity in favor of keeping it.

14. "*It has never been tried.*" True; but the proposal is, in mechanism, almost identical with the gold exchange device introduced by Great Britain to maintain the Indian currency at par with gold. The system here proposed would really be today less of an innovation in principle than was the Indian system when introduced and developed between 1893 and 1900, while the evils it would correct are similar to, but vastly greater than, the evils for which the Indian system was devised. The Indian currency plan, when originally adopted in 1893, consisted virtually of a simple closure of the Indian mints which made the rupee for a time a purely fiat money, having a scarcity value above its bullion value, yet not redeemable in gold. Thus we see that conservative England, in order to get rid of the comparatively trifling inconvenience of a fluctuating rate of exchange with India, adopted a plan which gave India a temporarily irredeemable currency, dependent, moreover, for its value somewhat on the discretion of government officials, a system much more dangerous than the one here proposed could possibly be accused of being. And yet this Indian system, so far from becoming a menace, was soon converted into a system of gold redemption by which a silver country obtains the advantages of a gold standard without changing its coins. This development of the gold exchange standard, afterward adopted in essence in the Philippines, Panama, the Straits Settlements, Mexico, and Siam, I believe to be one of the greatest steps forward in monetary history. Today it is so recognized, although when first devised it was eyed askance. The present proposal is modeled on the same idea, but applied in such a way as to secure a much more important kind of stability, namely, stability not simply of the money of the country with the money metal of some other country with which it has trade relations, but stability with the general mass of commodities.

The truth is, unless I am greatly mistaken, that the last named is the only strong objection to the plan in the minds of most of its critics; it is the constitutional objection to any change of the *status quo*. It is simply the temperamental opposition to anything new. As Bunty well says in the play, "anything new is scandalous." The conservative temperament dislikes experiment because it is experiment. Accordingly it is not surprising that we find many of the objectors saying, "let well enough alone," "let us 'rather bear those ills we have than fly to others that we know not of.'" These people seldom give assent to untried experiments;

yet after the new plan has been tried and established they invariably turn about and become its most staunch supporters. This fact has been often illustrated in our monetary and banking system. Nothing short of the shock of civil war was required to divert us from a state system of banking to a national one. In spite of the intolerable evils of the former, it was easy to find many arguments in its favor. After the change these arguments never reappeared. The same was true of slavery.

But conservatism always yields gradually to pressure. Its resistance is strong but has no resiliency. It is not like the resistance of a steel spring (which, when pushed in one direction, will bend back), but of a mass of dough or putty which, though it resists impact strongly, yet when it is moved stays inert and does not return. Under these circumstances, even if progress is made an inch at a time, it seems to me worth while to try to make it. The two steps first necessary have been taken, namely, the perfecting of the plan and the running the gauntlet of criticism. Any who may not be fully convinced that it has run the gauntlet unscathed, I would ask to read the full description of the plan in the *Quarterly Journal of Economics* and to write me wherein their objections have not yet been answered. I have responded to many such inquiries and I shall welcome more.

Experience shows that the more the opponents of the plan study it the more sure they are to change their minds. I have seen this in numerous instances, many of them through personal correspondence. One economist who at first opposed the plan and published a hostile review, afterward, when in a conversation I answered for him objection 11, which had been his particular stumbling block, changed his mind on the spot. Even some who are still, on the whole, opposed give a partial adherence. Professor Taussig states: "It must be admitted, at the outset, that the plan if carried out with iron consistency for a considerable stretch of time would achieve the results mainly had in view—the prevention of a long continued and considerable rise in prices. It might not achieve that result as smoothly and evenly as its proposer expects, and the qualifications just stated—that it must be carried out unflinchingly for a long period,—should be borne in mind." Professor Kinley says, "I do not see any logical flaw in it." His opposition is to the tabular standard.

It is fair, I think, to say that, in spite of the distinguished character of these and other opponents or semi-opponents, the real weight of authority is already on the side of the plan and

not of its opponents. It has received the approval, to mention a few out of many, of such economists as Hadley, J. B. Clark, J. M. Clark, Mitchell, Persons, Edgeworth, Marshall, Cannan, Keynes, Pigou, Royal Meeker, Adolphe Landry, Achille Loria, as well as, of such other leaders in thought and action as Sir David Barbour, Paul Warburg, Farwell, and President Wilson.

If we simply count votes, it is still true that the numerical majority, except perhaps among economists, of those who have expressed themselves, are, at present, against the plan. Thus, of the newspaper editorials, about two out of seven are favorable, three out of seven are opposed, and two out of seven express no opinion pro or con.

I am naturally desirous of getting as nearly as possible the unanimous approval of economists. The idea of a scientific standard of value is still academic, but it will be ready to pass out of that stage as soon as the practical man finds that academic economists in general believe in it. It is for this reason that I venture to suggest its study by those economists who have not already weighed it in the balance. I do this with the less reticence since I have learned that the credit of working out the plan first belongs, not to me, but to Professor Newcomb. The fact that I was anticipated affords me, at any rate, the opportunity to promote the plan the more impersonally and to urge economists to consider it on its merits. The most that I hope to see accomplished by economists is to make the desirability and practicability of some such improvement in our present dollar a commonplace in the minds of men. Just as the opposition to index numbers of two decades ago has now essentially disappeared so that they are today accepted as a matter of course and even published in practical business journals, so it should be possible, building on the index number idea, within a like period to establish the added idea that the dollar can be and ought to be standardized.

It is not impossible, judging from the many and authoritative endorsements of the plan, that it may be pushed toward realization much faster than this. All depends on the opening up of opportunities. After the present war, for instance, it may be that "internationalism" will come into a new vogue and that some special opportunity will be afforded to bring the plan with its endorsements to the serious attention of the world's administrative officials.

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one way or another. As to the first part, it is certain that saving would be reduced enormously by an abolition of property-income and inheritance; but it is unlikely, for reasons which cannot be gone into now, that it would be much reduced by heavy taxation of very large incomes or by heavy death duties on large properties. Eighth, could a State ownership of the means of production (and a substitution of salaried officials for profit seeking owners as the organisers of industry) secure an efficient, not to say progressive, management of economic affairs as a whole? No one can answer absolutely definitely, but it is highly doubtful.

The problem, in other words, is full of unknowns, in the present state of knowledge. But probability is by no means in favour of a substitution, at present, of State for private ownership, and it is very unlikely that any such substitution on a large scale will take place in the near future. Reform is much more likely to be confined to the reduction of large properties through appropriation to the State by means of taxes. This is justified and advisable, not on any Benthamite approval of equality, but, first, for the much truer and deeper reason that people of large property are almost necessarily not useful members of society in proportion to their incomes; and, second, because such taxation will probably little affect the stimulus to industry and accumulation. If the Bishop of Oxford wants a practical political policy about property, he would be well advised to confine himself at present to some limited one such as this.

But it may be doubted if it is either expedient or possible for the Church to adopt any practical policy in its teaching on a subject so complex and uncertain. And, indeed, one is a little surprised that the instinct of great Churchmen like Bishop Gore and Canon Scott Holland should not have warned them on this point. But one is still more surprised to discover how small a place in this book is occupied by certain broad ethical teachings on the subject of property which one had expected the Churchman to value, even if they do not provide a practical political policy. The word "Duties" is on the title-page of this book; but it is not often mentioned in the text. As already noted, there is no insistence here on the primary ethical fact about property-owning—viz., that merely *quâ* property-owning it is a one-sided relationship, a giving without getting. Similarly, if we exclude Dr. Rashdall's view, there is no realisation of the fact that there may be a need for services, other than economic services, which involve a propertied system of some kind. And most important of all, there is no realisation—if we exclude a single sentence of Mr. A. D. Lindsay's

—of the most important practical ethical teaching which the Church can give here—viz., that if, as is probable, the system of private property-income is to continue for a long time, it can only be justified ethically if propertied people realise the call upon them to be of "service" to their society in real and important ways, and meet the call, both in spirit and in fact. As Mr. Lindsay well says: "In the meantime, if we realise that the existing institution of private property is not based on absolute right, and has no absolute, but only a partial, justification, in that while it makes for the good life of men in society, it does so at a considerable cost, we may see that the system will be tolerable only if the possessors of property act as the good sovereign of earlier times acted —as though, that is, they were under obligations which law is not yet able or does not think it convenient to enforce." These are words which might have been expected from Churchmen. But they are found only once in this book.

The failure in the theoretical portions of the book to understand the attitude towards property typical of the best Church teaching is also reflected in the historical surveys of opinion on property. This is shown particularly in a tendency to ignore the actual significance of the teaching of the Mediæval Church (which can be realised, for instance, in the English church literature of the first half of the sixteenth century), and to misunderstand the significance of Locke's attempt to set up an absolute right of property. The result is that a great deal of the meaning of the history of opinion is lost. But space does not permit of an elaboration of these points, which I have suggested in more detail elsewhere. Attention should be called to the excellent account given by Mr. Wood (pp. 162–5) of the weaknesses of the Puritan attitude towards property and class. Taken as a whole, the three essays on the teaching of the Churches do not approach the level of Professor Troeltsch's *Soziallehren der christlichen Kirchen*, and would have gained greatly, as Mr. Wood frankly admits in regard to his own essay, by a fuller appreciation of the main positions developed in that work.

Attention ought also to be drawn to Canon Scott Holland's view of the value of communal property as an instrument and expression of personality, and to the unusual, and, as it seems to the present writer, questionable, emphasis which he lays on the social and representative side of personality.

WILLIAM KENNEDY

THE RELATION BETWEEN WHOLESALE AND RETAIL PRICES OF SUGAR.

IN a valuable and interesting Paper contributed to this Journal (December, 1913), Dr. Bowley discussed the relation between the changes in the wholesale and retail prices of food. He argued that, on theoretical grounds, one would expect a more or less definite connection between the two kinds of prices, but when he came to examine actual price statistics, although a high degree of correlation existed, the details showed "no uniformity of relation." In some instances changes in wholesale prices seemed to be passed on entire to the consumer, while in other cases retail prices varied more or less than wholesale prices. How far such inconsistencies are merely apparent—due to imperfections in the data, especially of retail prices—and how far they represent real differences in the conditions of producing and distributing the different commodities, only laborious and detailed investigations can show. It may, therefore, be of interest to direct attention to one such investigation undertaken recently by the United States Bureau of Labour Statistics. This was an investigation into the "prices paid by the refiner for raw sugar and the prices received for refined sugar by the refiner, the jobber, and the retailer, successively," and the results were published last year in the United States Labour Department's series of bulletins on *Retail Prices and Cost of Living*, Number 7.

The locality of the inquiry was New York, and it covered the months of February and August, 1901, 1905, 1910, and 1911. The restriction of the inquiry to conditions in eight months only was due to the immense amount of labour involved in the undertaking, and these particular months were selected because they represented periods of very low prices (February, 1911), normal prices (1901, August, 1905, and February and August, 1910), and high and rapidly advancing prices (August, 1911). In the case of refiners and jobbers, prices throughout the whole of the several months were obtained and averaged, but in the case of retailers no data at all could be secured for 1901, and in the other years the retail prices current on the 15th of each month were obtained. It is considered that these prices represent fairly accurately the average retail prices for the respective months, except in the case of August, 1911, when prices were rising rapidly and the average was probably above the price recorded for the 15th day.

The general results of the inquiry are brought together in the following table. The year 1901 is omitted, as no retail prices

are available. Besides the actual prices paid and received by the various classes of persons concerned, the market prices are also given. It is, of course, the latter alone that are, as a rule, available in compiling statistics of wholesale prices, either for use by themselves or in comparison with retail prices.

Comparison of prices and gross margins, based on (*a*) market prices and (*b*) actual transactions, in February and August, 1905, 1910, and 1911 :—

Year and Month.	Prices.						Gross margins.					
	Refiners.		Jobbers.		Retailers.		In cents.			Per cent. of cost prices.		
	Average cost of raw sugar to produce 1 lb. of refined sugar.	Average selling price of granulated sugar per lb.	Average cost of granulated sugar per lb.	Average selling price of granulated sugar per lb.	Average cost of granulated sugar per lb.	Average selling price of granulated sugar per lb.	Refiners.	Jobbers.	Retailers.	Refiners.	Jobbers.	Retailers
	On basis of market (wholesale) prices.											
905	Cents.	Cents.	Cents.	Cents.	Cents.	Cents.	Cents.	Cents.	Cents.	%	%	%
February	5·428	5·925	5·925	6·045	6·045	6·194	0·497	0·120	0·149	9·16	2·03	2·46
August	4·368	5·070	5·070	5·253	5·253	5·684	0·702	0·183	0·431	16·07	3·61	8·20
1910												
February	4·525	4·945	4·945	5·108	5·108	5·265	0·420	0·163	0·157	9·28	3·30	3·07
August	4·740	5·128	5·128	5·297	5·297	5·306	0·388	0·169	0·009	8·19	3·30	0·17
1911												
February	3·846	4·548	4·548	4·776	4·776	5·347	0·702	0·228	0·571	18·25	5·01	11·96
August	5·247	5·686	5·686	5·769	5·769	5·755	0·439	0·083	0·014[1]	8·37	1·46	0·24[1]
Averages	4·692	5·217	5·217	5·375	5·375	5·592	0·525	0·158	0·217	11·19	3·03	4·04
	On basis of actual transactions.											
1905												
February	4·757	5·738	5·805	6·025	6·000	6·194	0·981	0·220	0·194	20·62	3·79	3·23
August	4·258	5·015	5·061	5·228	5·222	5·684	0·757	0·167	0·462	17·78	3·30	8·85
1910												
February	4·135	4·866	4·855	5·080	5·087	5·265	0·731	0·225	0·178	17·68	4·63	3·50
August	4·283	5·036	5·049	5·263	5·172	5·306	0·753	0·214	0·134	17·11	4·24	2·59
1911												
February	3·700	4·539	4·553	4·751	4·745	5·347	0·839	0·198	0·602	22·68	4·35	12·69
August	4·137	5·095	5·041	5·590	5·529	5·755	0·958	0·549	0·226	23·16	10·89	4·09
Averages	4·212	5·048	5·001	5·323	5·292	5·592	0·836	0·262	0·300	19·85	5·18	5·67

[1] Loss.

It is necessary to state exactly what are the prices quoted in this table. The market prices are the average of those quoted during the respective months—the refiners' listed selling prices being the jobbers' buying prices, and the jobbers' listed selling prices being the retailers' buying prices. The "refiners' actual cost" for each month is an average of the actual cost prices of the raw sugar melted during that month. The "refiners' actual sale price" is an average of the actual prices received for refined

sugar delivered during the month. The "jobbers' actual sale price" is an average of the prices received for granulated sugar sold to retailers in the several months, and the "jobbers' actual cost" is an average of the actual prices paid by jobbers for the same sugar. The "retailers' actual sale price" is the average retail price of granulated sugar sold on the 15th of each month, and the "retailers' cost" is an average of the cost to the retailers of the *same* sugar. It follows from these definitions that the refiners', jobbers', and retailers' prices in any month do not refer to precisely the same lots of sugar. It would, in fact, be practically impossible to follow a single lot of sugar from the refiner to the consumer. But neither jobbers nor retailers are likely to carry very heavy stocks beyond immediate requirements, so that the selling prices in each case are mainly those of the sugar for which the buying prices are given. This is evident from the close approximation of the actual selling prices of refiners and jobbers to the actual buying prices of jobbers and retailers respectively. The duties on sugar appear to have been included in all cases, and have not varied materially during the period covered by the table.

The refiners' actual sale prices given in the above table are for granulated sugar, for which jobbers' and retailers' prices, and also market prices, are quoted. The refiners, however, produce many grades of sugar, and the average selling price of all these together was, in the months shown, generally lower than that for granulated alone, so that the refiners' margins on their transactions as a whole were also, as a rule, lower than those shown in the table. Besides sugar, the refiners also produce a by-product in the shape of syrup, for which a small price is obtained. This is ignored in the table. The table, therefore, gives the prices of raw sugar, and of the resulting refined granulated sugar.

Several interesting conclusions can be deduced from these data. The margins of none of the factors concerned in the production and distribution of granulated sugar were constant, either absolutely, or proportionately to cost prices. On the basis of market prices, refiners' margins and retailers' margins varied much more than on the basis of actual prices, while the reverse was true in the case of the jobbers. The refiners' actual margins were always larger than a comparison of market prices indicated, which is a testimony to the refiners' skill in buying. The price of raw sugar is subject to wide and rapid fluctuations, and refiners buy heavily on a rising market and restrict their purchases on a falling market. They speculate on future prices and stand to make big

profits and losses. When prices of raw sugar are high, the refiners melt more or less sugar bought previously at lower prices, but in making their sales of the refined product they have the advantage of the high market. Refiners' profits, therefore, are subject to considerable variation, and this will necessarily cause their margins to vary, even if the costs of manufacturing and selling remain constant. In the case of a trade dealing in some commodity not subject to such variations in price, it would be expected that the manufacturers' margins would, other things being equal, show more constancy than do those of these sugar refiners.

In the case of the New York jobbers it seems to be the custom to aim at a margin of 15 cents per 100 lb., but this is based on *market* prices. The table shows that, on the average, something like this margin was secured in the six months. But on the basis of actual transactions, jobbers, like the refiners, stand to make big profits and losses, for they make forward contracts with the refiners, and at a time of high prices may be receiving and selling sugar contracted for at lower prices, as, *e.g.*, in August, 1911.

The retailers' actual margins were higher than their apparent margins, but in both cases they were very fluctuating. This appears to be due to the fact that the retailers seemed "to aim at a steady price for sugar rather than a consistent margin, trusting to a future decline in cost to offset the effect of a period of close selling," but in many cases sugar is deliberately sold at little or no profit in order to secure and improve the sale of other articles on which good profits are made. While, therefore, large fluctuations in the prices of raw sugar are reflected in the retail prices of granulated sugar, the fluctuations are not always carried on in their entirety, and minor fluctuations in wholesale prices frequently do not affect retail prices at all.

The excess of the price paid by the consumer over the price of the raw sugar was as follows :—

Year and month.		Gross margin between retail price and market price of raw sugar.		Gross margin between retail price and actual price paid by refiner for raw sugar.	
		Cents.	%	Cents.	%
1905.	February	0·766	14·11	1·437	30·21
	August	1·316	30·13	1·426	33 49
1910.	February	0·740	16·35	1·130	27·33
	August	0·566	11·94	1·023	23·89
1911.	February	1·501	39·03	1·647	44·51
	August	0·508	9·68	1·618	39·11

The difference between the retail price of granulated sugar and the price of the raw sugar varied considerably, but the variation is much greater in the comparison with market prices than in that with the actual cost of the raw sugar. This fact is noteworthy because, without a special investigation, the only prices obtainable with which to compare retail prices are, as a rule, wholesale market (*i.e.*, list) prices, and it may sometimes happen, as in this case, that discrepancies will be found between the wholesale and retail prices which do not exist, or are very much reduced, in the relation between actual costs. It may be noted that, as shown in the above table, the absolute margin was less variable than the percentages.

The general conclusion from this investigation would appear to be that, in the case of sugar, the price of which in the raw state is liable to wide and rapid fluctuations while as a retail article it is used as a "draw" for other commodities, a strict parallelism between retail and wholesale market prices is not to be expected. This does not vitiate the conclusion, which in fact the United States investigation does not controvert, that substantial fluctuations and long-period movements in wholesale prices effect corresponding movements in retail prices. Finally, it is not at all improbable that the general results of this investigation into sugar prices in New York would hold good in London at the present time, although it is doubtful how far backwards in time one would be justified in applying them in either city.

A. D. WEBB

OFFICIAL PAPERS.

National Health Insurance. Report of Second Year's Working. [Cd. 7496.] 1914. Price 2*s*. 5*d*.

THE Amending Act of 1913 removed certain administrative difficulties and improved the position of various classes of insured persons, especially of those in arrear with their contributions. An explanation of these changes and of the measures giving effect to them chiefly occupies the introductory part of this report. With regard to deposit contributors, the numbers of whom are diminishing, the Chief Actuary reports that they are not in the main persons rejected by the Approved Societies on account of ill-health, nor are their claims specially high. The proportion of aliens among them is high, and their age-distribution is abnormal, about 50 per cent. being between twenty and thirty years old.

As regards the financial position of Approved Societies, the Chief Actuary has arrived tentatively, from incomplete data, at the following conclusions :—

(i) The sickness claims of men, taken as a whole, have been within the actuarial provision.

(ii) The sickness claims of women, taken as a whole, have been materially in excess of that provision.

(iii) Great variations have arisen between the sickness claims made upon individual Societies. While in many cases the claims have exceeded the estimates, there are many other cases in which the cost of benefits has been so far within the estimates as to lead to the expectation that a large number of Societies and branches will be found upon the first valuation to be in possession of surpluses.

(iv). The sickness claims of both men and women have in many Societies been above the standard that should normally prevail, and that may be expected to prevail when Societies have gained experience under existing conditions.

(v) The claims for maternity benefit have varied considerably as between different Societies.

In regard to the last of the above conclusions, it was found that excess of claims for maternity benefit is most apparent amongst Societies of miners. Excessive claims in other cases indicate, in the opinion of the Chief Actuary, that certain large Societies have either obtained their membership to a disproportionate extent from the poorer classes of the industrial population, or have adopted methods of recruitment that have brought them an abnormally high proportion of married men.

Agricultural Statistics, Ireland, 1913. *Report and Tables relating to Irish Agricultural Labourers.* [Cd. 7418.] 1914. Price $2\frac{1}{2}d$.

Part I. of this Report deals with the annual migration of agricultural labourers to England and Scotland. It appears that the scale of this migration has continuously declined in recent years—namely, from 20,500 in 1909 to 15,000 in 1913, while in 1841 the number was estimated at 40,000. The great majority come from Mayo and Donegal. In 1913, 75 per cent. went to England, and 25 per cent. to Scotland. The labourers for England, who are mostly from Connaught, travel about the country during the summer and autumn from one job to another. "After haymaking, &c., in Lancashire and Yorkshire, they move to

Lincolnshire and Cambridgeshire for the corn harvest, and thence to Warwickshire, Staffordshire, and Cheshire for potato digging. Two distinct groups of labour migrate to Scotland—the 'Donegal' men, who go chiefly to the Lothians and Eastern Counties, and the 'Achill' workers, from the west coast of Connaught, who go to Ayrshire and the neighbouring counties. The 'Achill' workers come over in families or small groups, and are organised in squads."

Report of the Departmental Committee on Agricultural Credit in Ireland. 1914. [Cd. 7375.] Price 4*s.* 8*d.* *Minutes of Evidence, &c.* [Cd. 7376].

To be reviewed.

Reports by His Majesty's Agent and Consul-General on the Finances, Administration, and Condition of Egypt and the Sudan in 1913. [Cd. 7358.] 1914. Price 7½*d.*

"Considering the abnormally low Nile, this year has been a far more prosperous one than could have been expected. Formerly, so considerable a shortage of water would have been almost a national calamity, but the completion of the Assuan dam at the end of 1912 permitted of sufficient storage to mature the cotton crop." Two of the most interesting of the economic or financial events of the year were the bringing into operation of the Five-Feddan Law and the change of the Budget date. It appears that the 619,107 proprietors, with properties averaging about one feddan (1·038 acres) in area, are burdened with an average debt per feddan of £E25·824. Thus a debt of £E16,000,000 has to be borne by the poorest class of cultivators of the soil and is distributed amongst only 5 per cent. of the population. "The Five-Feddan Law, by protecting the small cultivator's holding, has enabled an improvement to be safely made in the simplification of the procedure for recovery of debt. . . . The prediction that the diminution of credit caused by the Five-Feddan Law would force sales of land and lead to evasion of the law has not been borne out by events." The change in the date of the Budget has been effected for very similar reasons to those for which a similar change has been advocated in the case of India by the recent Royal Commission, namely, the advantage of enabling estimates to be framed at a time when the results of the principal crop of the country can be ascertained with reasonable accuracy, and the advantage of allowing a longer available interval for the discussion of the Budget.

Correspondence relating to the General Strike in South Africa. [Cd. 7348.] 1914. Price 2*s*. 3*d*.

CORRESPONDENCE, chiefly between Lord Gladstone and the Colonial Office, in continuation of Cd. 7213.

Union of South Africa. Report of the Economic Commission, January, 1914. Pretoria: Government Printing Office. 1914. Price 3*s*. 6*d*.

THE Report of the Commission, appointed under the chairmanship of Professor S. J. Chapman, to inquire into wages, hours, and the cost of living on the Witwatersrand, the question of establishing a minimum wage in any industries within the Union, the payment of overtime, and allied subjects. To be reviewed.

Recensement de l'Industrie et du Commerce (31 Dec., 1910). *Première Partie, Recensement professionnel.* Vol. I. Pp. 596. Vol. II. Pp. 1129. Vol. III. Pp. 831. Vol. IV. Pp. 1207. Bruxelles: Office de Publicité. 1913.

THESE four very large quarto volumes comprise the results of a census of occupations for Belgium, issued by the Statistical Section of the *Office du Travail*.

OBITUARY.—WILHELM LEXIS.

WE much regret to announce the death of Professor Wilhelm Lexis, news of which has come to hand from Göttingen. Born in Eschweiler, near Aachen, on July 17th, 1837, Lexis matriculated at the University of Bonn in 1855, where he read mathematics and natural science. For a few years he was an assistant master at the Gymnasium in Bonn. In 1861 he proceeded to Paris, where he devoted himself to the study of French economic conditions and soon became known as an authority on economic questions. In 1872 he was appointed to the Chair of Political Economy at Strassburg. Two years later he moved to Dorpat, and thence, in 1876, to Freiburg in Breisgau. He was called to Breslau in 1884, and finally settled in 1887 in Göttingen, where he continued to teach for a quarter of a century.

Lexis's work in economics is primarily associated with the celebrated *Handwörterbuch der Staatswissenschaften*, in the editing of which he was one of Professor Conrad's colleagues (as also in the editing of the *Jahrbücher*). In this great compilation he was responsible for much of the work on currency and monetary

questions generally, and on public finance. Up to the end of his life he continued to contribute articles to the *Jahrbücher* on the progress of monetary science and practice.

Perhaps Lexis's most original contributions to knowledge, however, are to be found in his statistical investigations into problems of population and sex-ratio, and in the pure statistical theory which these investigations led him to develop. Two papers, on *Das Geschlechtsverhältnis der Geborenen und die Wahrscheinlichkeitsrechnung* and *Ueber die Theorie der stabilität statistischer Reihen*, originally published in Conrad's *Jahrbücher* in 1876 and 1879 respectively, introduce new theoretical conceptions of the utmost importance. Lexis's statistical writings were reprinted in his *Zur Theorie der Massenerscheinungen in der menschlichen Gesellschaft* (of 95 pages), published at Freiburg in 1877, and in his *Abhandlungen zur Theorie der Bevölkerungs-und Moralstatistik* (of 253 pages), published at Jena in 1903. But after about 1886 his mind seems to have become diverted to monetary and financial questions, and the further development of his statistical ideas, the importance of which obtained general recognition very slowly, was left to others, and especially to Ladislaus von Bortkewitsch. Lexis's methods were introduced to the notice of English readers by Professor Edgeworth in 1885 in his article on *Methods of Statistics* in the Jubilee volume of the *Statistical Journal*.

Lexis, who was elected an Honorary Fellow of the Royal Statistical Society in 1904, was a much-valued occasional contributor to the ECONOMIC JOURNAL, writing on *The Agio on Gold and International Trade* in 1895, on *The New German Exchange Act* in 1897, and on *The German Bank Commission* in 1910. Combining high scientific eminence with a character esteemed for its impartiality (as exemplified, for example, in his attitude to the Bimetallic Question), Lexis was a worthy member of the band of veteran economists, not a few of whom still occupy the principal Chairs of Political Economy in Germany, who in the 'seventies and 'eighties of the last century raised to so high a level the reputation of German economic science.

CURRENT TOPICS—CURRENCY EXPEDIENTS ABROAD.

IN the article, above, on *War and the Financial System, August*, 1914, some account has been given of the financial expedients which it has been necessary to adopt in this country. A few particulars follow as to currency measures elsewhere, but the information at present available is somewhat scanty.

THE only restriction, under which the Bank of France normally lies, as regards the issue of notes, whether backed by gold or not, is on the aggregate amount outstanding at one time. It happened that at the outbreak of war the actual circulation was not far short of the legal limit of £272,000,000, having risen from £236,000,000 on July 23rd to £267,000,000 on July 31st. On August 7th, therefore, the French Chambers authorised an increase in the limit from £272,000,000 to £480,000,000, thus practically permitting to the Bank of France an unlimited power of note issue. At the same time all obligation to cash the notes, even in token silver, was suspended. Since July 31st the Bank of France, unlike any of the other State Banks, has published no statement of its position.

THE legal position of the Bank of Russia, which, alone amongst the Central Banks of Europe, is a purely Government institution, resembles that of the Bank of England, in that it has a fixed fiduciary issue, the circulation of notes being allowed to exceed the cash held against them by a certain fixed amount only. The Bank of Russia, however, regards as "cash" for this purpose, not only the gold and silver in its own vaults, but also deposits held on its behalf in the chief European financial centres. The fiduciary issue has not been, in the recent past, of much practical importance, as the "cash" held has exceeded the circulation of notes. The last return before the war (July 21st) showed £160,114,000 in gold, £7,382,000 in silver, and £14,395,000 on deposit abroad. The note circulation was £163,411,000, and the fixed fiduciary issue £30,000,000, so that the unissued margin of notes amounted to £48,481,000. On July 31st the maximum of the fiduciary issue was raised from £30,000,000 to £150,000,000, and in spite of the large amount of cash held, the obligation to meet the notes in specie was entirely suspended. By August 5th the note circulation had risen to £185,978,000 against "cash" amounting to £178,667,000, the balance abroad having fallen to £11,604,000. By August 14th, the note circulation was £232,106,000 against "cash" practically unchanged at £178,482,000. Apparently about £40,000,000 of the additional note issue was represented by advances to the Treasury, presumably for mobilisation purposes. The exchange value of the rouble stands at a heavy discount, and quotations are somewhat nominal. The Russian Government would do wisely to remedy this by using some part of their huge resources for what one would have supposed to be their primary purpose.

In the case of the Reichsbank steps were immediately taken on the outbreak of war to remove the principal restrictions under which it normally works, namely, the limitation of the untaxed fiduciary issue, and the rule that in no circumstances may the note issue rise to more than three times the "cash" (which includes a few, not very large, items besides gold and silver). In addition, specie payment was suspended The effect of this has been that the Reichsbank's gold was increased between July 23rd and August 31st by about £10,000,000, or approximately £2,000,000 more than the amount supposed to have been transferred to it from the war chest at Spandau. No new gold is now issued, and not much seems to have been recovered from the internal circulation. The note circulation rose from £94,545,000 on July 23rd to £194,097,000 on August 15th (the date of the next return), £199,998,000 on August 22nd, and £211,744,000 on August 31st—an aggregate increase during the month of £117,000,000. The note issue was still well within the limit formerly prescribed of three times the "cash." It is to be remarked that the stock of silver was quickly drawn upon, falling from £16,731,000 on July 23rd to £4,084,650 on August 15th, and to £3,317,700 on August 22nd. By August 31st there was a slight recovery to £4,114,000, perhaps due to new coinage, but the Reichsbank is said to be about to issue two-mark and one-mark notes. As in this country, the Joint Stock Banks and other financial institutions seem to have followed the policy of turning their bills not entirely into notes, but largely into credits at the Reichsbank, the bills discounted rising from £37,545,000 on July 23rd to the large sum of £221,299,000 on August 15th, £230,800,000 on August 22nd, and £237,500,000 on August 31st, while the Deposits rose from £47,198,000 on July 23rd to £127,588,000 on August 15th, and £130,988,000 on August 22nd, falling to £122,067,000 on August 31st.

It appears that in addition to the Reichsbank's ordinary notes, *Darlehnskassenscheine*, or "loan" notes, of denominations ranging from 5*s*. to £2 10*s*., are being issued up to an amount of £75,000,000. These are available as loans to all comers in amounts ranging down to £5, against numerous kinds of securities up to one-half or two-thirds of their assigned value, for periods of three to six months, at a rate as a rule something above the Reichsbank discount rate. These "loan" notes have not been given full legal tender quality, but are accepted by the Govern-

ment and governmental institutions in payment of dues. The amount of these notes which has actually been issued, and other details regarding them are not available. But the tendency of prices to rise, which must have been greatly accentuated by the issue of so much inconvertible paper money, has been met by very rigorous official measures to fix the prices of necessaries, in terms of this paper money, at what is thought to be a reasonable figure. The effect of such measures in hindering the import of foodstuffs from neutral countries must become very serious, unless the Reichsbank decides to reverse its present policy and release gold freely in redemption of the paper currency when this is required for purchases abroad.

As contrasted with the policy pursued in the other combatant countries, the German Government have not, as yet, declared a formal Moratorium. Instead of releasing debtors for the time being from the obligation to meet their engagements, they appear to have pursued the policy of readily supplying them with large amounts of paper and token money and credits wherewith to meet these engagements. During the month of August, if the issue of *Darlehnskassenscheine* is nearly reaching the limits originally prescribed, the total increase in the circulation of notes, token silver, and bank credits at the Reichsbank approached £300,000,000. No doubt this eased the financial situation for the moment. But it may prove in the long run a far more dangerous policy than that of the Moratorium. According to the *Economist* (September 5th) the Reichsbank notes were then standing, in terms of gold, at a discount of more than 20 per cent.

Thus we see that, so far as note issue goes, the State Banks of France, Russia, and Germany are all working under what are, in effect, identical systems, namely, a virtually unlimited right of note issue and a suspension of specie payments. They can only be hoarding their gold, unless they propose to use it shortly for foreign payments, out of a desire to have something substantial in hand wherewith to pay an indemnity. It is to be remarked that many of the difficulties, which the various financial expedients adopted in this country have been designed to meet, have been of a different character from those dealt with abroad, because we have been endeavouring to resuscitate our system on a more or less normal basis, a task frankly abandoned elsewhere. Specie payments have never been suspended, our national money

is not in the least depreciated, and we are reviving to a greater extent each day the normal mechanism of remittance and of the discount of bills.

THE Gold-Exchange Standard, based on a reserve in London, has enabled the Indian currency system to meet the crisis better than that of almost any other country. No Moratorium has been declared, and the exchange value of the rupee has been maintained throughout between the gold points. Of no other important country can this be said. Even in Egypt, which some authorities would take as a model because normally the sovereign is the principal medium of exchange, it was found necessary at once to introduce an emergency currency of inconvertible paper, and to declare a Moratorium.

AT the outbreak of war the Secretary of State held in London £10,700,000 actually in gold, apart from large quantities of securities. As soon as a serious demand for remittance on London sprang up in India, and the exchange-value of the rupee showed signs of falling below gold-export point, it was decided to offer £1,000,000 weekly of what are called "reverse" Councils (*i.e.*, remittance sold in Calcutta on London). In the first week of August the full £1,000,000 were sold, but in subsequent weeks the offer proved more than sufficient to meet the demand, £813,000, £632,000, £538,000, £474,000, and £310,000 being taken on August 12th, 19th, 26th, September 2nd and 9th. "Reverse" bills were sold at the usual rate of 1s. $3\frac{29}{32}$d. But facilities, which have not been granted on former occasions, were given for the purchase of telegraphic transfers as well as bills, at the rate in the first week of 1s. $3\frac{15}{16}$d., and subsequently of 1s. $3\frac{29}{32}$d. The effect of this was to steady exchange at once within the gold points. The Government have been offering and to a certain extent actually selling telegraphic transfers in both directions simultaneously. The course of events has been such as to bear out on the whole the views of those who maintained the importance of holding actual gold as a reserve in London. If the gold had been in India, it could not have been safely shipped to London in the early days of August (whether the Bank of England would have been prepared, if necessary, to make advances against gold held in India has not yet been tested), and the portion held in securities was temporarily unrealisable, except such part as consisted of Treasury Bills falling due. (The first-rate value of the latter as a liquid security, even when this country is at war, was strikingly demonstrated.) Although the Secretary of State was

found in a relatively weak position on account of the small amount of Council Bills he had sold in London since the beginning of the financial year, the release of £2,000,000 of gold previously "earmarked" sufficed to see him through August.

It is to be observed with interest that the Government of India pursued the judicious policy of stopping the further issue for internal use of gold from the Paper Currency Department, as soon as the sale of "reverse" bills began; and also that they have taken the opportunity to carry out the recommendation of the recent Royal Commission for the abolition of the silver branch of the Gold Standard Reserve and have transferred (in India) £4,000,000 of gold in exchange for rupees from the Paper Currency Reserve to the Gold Standard Reserve.

The Currency System of the United States was caught by the crisis at a somewhat inconvenient moment of transition between the old arrangements and the new. The new Banking and Currency Act does not come into force for a month or two. But by a most fortunate measure of prudence the arrangements for emergency currency provided for by the temporary Aldrich-Vreeland Act, which was carried after the crisis of 1907, were specifically kept in being, in case of what must have seemed the remote chance of a crisis intervening in the few months required for completing the arrangements of the new permanent system. The notes, authorised by the Aldrich-Vreeland Act, were ready printed and available for immediate use. The amount of this emergency currency issued up to September 10 was $256,000,000. In spite of this, however, the bankers and the Government were not able or willing to release gold and to take advantage of the Bank of England's depository at Ottawa to a sufficient extent to maintain fully the exchange parity. After standing at a huge discount for the short period during which the shipment of gold was impossible, the exchange value of the dollar on London still stood six weeks after the outbreak of war at a discount of nearly 2½ per cent.

In Canada a comparatively small amount of additional currency has been provided by a change in the rules governing the Dominion Note Issue. Up to now there has been, in effect, a fiduciary issue of $22,500,000 (25 per cent. being held in gold for the first

$30,000,000 of notes and 100 per cent. against any further issue). For the future the fiduciary issue has been raised to $37,500,000 (25 per cent. being held in gold for the first $50,000,000 of notes).

Of prices, employment, and the economic state generally of the people of Europe, it is not yet possible to speak,– though it would be safe to surmise that the economic organisation and state of employment within Russia has been affected by far the least. Some extracts are given below from a statement issued by the Board of Trade, in the second week of September, on the state of employment in the United Kingdom.

"Inquiries addressed by the Board of Trade to nearly all the principal manufacturers show that employers covering 75 per cent. of the workpeople included in the returns received have not been specially affected by the war; these employers report since the middle of July a total reduction of staff of only 1·3 per cent. Employers of the remaining 25 per cent. covered by the returns report that they have been affected by the war, and have reduced their staff since the middle of July by 27 per cent. The two industries most affected are the cotton industry and construction of vehicles, each of which, as compared with July 17th, shows a contraction of about 19 per cent. in the numbers employed. In the cotton industry another 40 per cent. are working short time. Other industries showing more than an average reduction of staff are furniture, engineering, and tinplates. In the latter, however, though the percentage reduction is still above the average, there has been a very marked improvement of employment since the middle of August. While coal-mines working for export have been affected, the great majority of the coal-mines report themselves as unaffected by the war, and at the same time report that they are working reduced hours, which is, of course, the common summer practice. So, too, the short time in the cotton trade can only in part be attributed to the war. The reports received by the Home Office from the inspectors of mines in respect of the week ended September 5th indicate that the position in the mining industry has improved, and is on the whole satisfactory. A considerable number of collieries are working only four or five days a week (especially in Scotland, Yorkshire, Durham, Northumberland, and North Lancashire), but on the other hand there is considerable pressure in the steam coal trade

in South Wales, where more men could be employed if they were available, and in other districts conditions are more or less normal. Slate quarrying in Wales is very depressed, but this is due in part to causes other than the war. As regards agriculture, there appears to be no appreciable increase of unemployment; indeed, in some places there is a shortage of labour. The fishing industry in certain localities has been affected."

"THE general conclusion is that, though there is at the moment a contraction of employment as a result of the war, this contraction has been met to a very large extent by reduction of hours instead of by reduction of staff; 93·per cent. of the workpeople engaged in production are still wholly or partially employed. Moreover, the returns show that of the contraction of 7 per cent. in the numbers employed at least two-thirds represents men who have left for military or naval service and who are, therefore, not employed. Thus the percentage of workpeople wholly unemployed (including women) has only increased by a little more than two. Practically the whole of the above contraction occurred in the first fortnight of the war. Since August 14th, when the first returns were obtained by the Board of Trade, though certain industries have declined while others have improved, the total numbers employed have changed very little."

THE following were elected Fellows of the Royal Economic Society at the last meeting of the Council :—

H. D. Bedford.
Prof. F. Bernis.
T. I. Brunner.
H. E. Crawfurd.
Malcolm Fraser.
M. Ghosh.
A. Loveday.
C. J. Melrose.
E. N. Mozley.

The following libraries or institutions have been admitted to full or limited rights of membership.

University of Adelaide Library.
City of Auckland Library.
University of California Library.
Dyal Singh Library of Lahore.
London School of Economics Common Room.
State Library, Massachusetts.
McGill University Library.
Railroad Commission of Wisconsin.

Appointments, Prizes, etc.—Professor Mavor, of the University of Toronto, has been granted leave of absence in order to give a special course of lectures this autumn at Lahore, India.

Hutchinson medals for research at the London School of Economics have been awarded to Mr. C. K. Hobson for his thesis on *The Export of Capital*, to Mr. W. Kennedy for his thesis on *The Principles embodied in the Tax System of England since the Restoration*, and to Mr. E. C. Cleveland-Stevens for his thesis on *Railway Amalgamations.*

RECENT PERIODICALS AND NEW BOOKS.

Statistical Journal.

JULY, 1914. *Economic Relations of British and German Empires,* E. CRAMMOND. Comparative figures over a miscellaneous field, somewhat criticised in the subsequent discussion.

The Economic Review.

JULY, 1914. *Editorial Notes.* There is here an interesting account of the Official Report on the Leeds Municipal Strike. *The Agricultural Labourer in Lincolnshire.* H. N. NASH. *People's Banks in the Province of Quebec.* H. MICHELL. *Further Notes on some Fundamental Notions of Economics: Labour.* J. H. SMITH. The writer decides to "light his own Diogenes lantern," and in the meantime the economist "must not profane the name of science or assume the office of a teacher."

Edinburgh Review.

JULY, 1914. *The Rating of Site Values.* HAROLD COX.

Quarterly Review.

JULY, 1914. *Syndicalism in New Zealand.* W. H. TRIGGS. *The Settlement Movement in England and America.* E. J. URWICK and R. A. WOODS.

Banker's Magazine.

JUNE, 1914. *Banking in Denmark: an Historical Sketch.* HANS TEGNER.

JULY, 1914. *Competition and Banking Profits.* C. F. HANNAFORD. Suggestions for agreed rates between bankers. *South Africa's Currency Experiences.* D. P. MORGAN. An historical sketch.

AUGUST, 1914. *Some Aspects of Banking Amalgamations. The Bank of France. The Imperial Bank of Germany.* The Reports of these institutions for 1913.

Manchester Statistical Society.

MARCH, 1914. *Industrial Recruiting and the Displacement of Labour.* S. J. CHAPMAN and A. W. SHIMMIN. On the overflow and surplus inflow of labour in different industries as shown by the Census of Occupations.

Clare Market Review.

FEBRUARY, 1914. *The Future of Voluntary Social Work.* E. J. URWICK. *Some English Railway Problems.* E. C. CLEVELAND STEVENS. Continued in May.

MAY, 1914. *Woman's Work in the South-west of England.* E. D. JAMES.

The Women's Industrial News.

JULY, 1914. *The Present Position of Child Labour Regulation.* F. KEELING. *Blind Alley Labour.* F. KEELING *The Girl-worker and the Opportunity of the Juvenile Advisory Committee.* BARBARA DRAKE.

Bulletin of the Co-operative Reference Library (Plunkett House, Dublin).

JULY, 1914. *Works and Aims of the Library.* SIR HORACE PLUNKETT. *Co-operation for Farm Women.* Sources of information. This is the first number of a bulletin, which it is proposed to issue monthly, with a view to assisting inquirers and more particularly the organisers of the I.A.O.S.

American Economic Review (Boston).

JUNE, 1914. *Movements of Negro Population.* J. C. ROSE. An enquiry into the relative rates of increase of the white and black populations of the United States. *A General Strike in New Zealand.* J. E. LE ROSSIGNOL. *Present Problems in Canadian Banking.* W. W. SWANSON. Enquiries into the alleged excessive profits of the banks and into the future of co-operative banking. *The Proposed German Petroleum Monopoly.* D. G. MUNRO. An account of the events which have led up to the current proposals for official measures directed against the supremacy of Standard Oil in Germany. *The Discount versus the Cost-of-Production Theories of Capital Valuation.* H. G. BROWN. The continuation of a controversy. *Eleventh List of Doctoral Dissertations.*

Quarterly Journal of Economics (Harvard).

MAY, 1914. *The Trust Problem.* E. D. DURAND. On the necessity of prohibition or regulation, and the possibility of preventing combination. *Davenport's Economics and the Present Problems of Theory.* A. S. JOHNSON. *Fire Insurance Rates and State Regulation.* W. F. GEPHART. *Rent Under the Assumption of Exhaustibility.* L. C. GRAY. Orthodox theory assumes that the capital value corresponding to rent remains unexhausted. How can this be modified so as to meet the facts? *The Literature of Scientific Management.* C. B. THOMPSON. 52 pages.

Journal of Political Economy (Chicago).

JUNE, 1914. Three articles on Parcel Post Questions. *Davenport's Competitive Economics.* F. A. FETTER. The work of this writer, which is reviewed above (p. 421), appears to be exciting much notice in America, being the subject of simultaneous

articles in three of the economic journals. *The Origin of the Bill of Exchange.* A. P. USHER.

JULY, 1914. *The Working of the Trade Boards Act in Great Britain.* CONSTANCE SMITH. *The Commercial Paper Debates.* E. E. AGGER. On the current proposals for establishing a discount market in the United States, with special reference to the position of single-name paper.

Political Science Quarterly (New York).

JUNE, 1914. *Unfair Competition: a Study of Certain Practices and their Relation to the Trust Problems in the United States.* W. S. STEVENS. *Davenport's Economics.* J. M. CLARK. An article-review.

Annals of American Academy (Philadelphia).

MAY, 1914. A series of articles on *State Regulation of Public Utilities* under the following heads: *Legislation as to State Public Utility Commissions. State Regulation and Municipal Activities. Uniform Accounting and Franchises. Public Control over Securities. Valuation of Public Utilities. Electric and Water Rates. Standards for Service.*

JULY, 1914. A series of articles on *International Relations of United States:—Monroe Doctrine, Mexican Situation, The Pacific.*

U.S. Bulletin of Labor Statistics.

NO. 126. *Workmen's Compensation Laws of the United States and Foreign Countries.* Pp. 477. An important compilation of material.

NO. 137. *Wages and Hours of Labor in the Building and Repairing of Steam Railroad Cars:* 1890 to 1912.

NO. 140. *Retail Prices:* 1890 *to December*, 1913.

NO. 143. *Union Scale of Wages and Hours of Labor, May* 15, 1913. With reference to the principal mechanical trades in 40 important industrial cities in the United States.

Bulletin of Industrial Commission of Ohio.

JUNE, 1914. This is the first issue of a Bulletin issued under the auspices of Mr. M. B. Hammond, Commissioner in charge of Investigation and Statistics in the State of Ohio. This number is devoted to a series of articles on *Workmen's Compensation.* With it is issued Report No. 1 on *Wages and Hours of Labor of Women and Girls in Ohio in* 1913. A twelve-page *Bibliography on the Minimum Wage* by C. W. REEDER is annexed.

Revue d'Économie Politique (Paris).

MAY–JUNE, 1914. *Des limites de l'Association coopérative de consommation.* DR. TOTOMIANZ. *La circulation monétaire française et le mouvement des prix.* C. RIST. A further study by Professor Rist on the relation between prices and the volume of circulating media in France.

JULY–AUGUST, 1914. *Pour la théorie quantitative de la monnaie et du crédit.* L. DECHESNE. A study of recent works on this subject.

Journal des Economistes (Paris).

JUNE, 1914. *Les relations de l'État et les grandes compagnies de chemins de fer jusqu'à la fin des concessions.*
JULY, 1914. *J. Chamberlain et son rôle économique.* YVES GUYOT.

Revue Économique internationale (Brussels).

MAY, 1914. *La situation économique et financière de la Chine.* J. O. P. BLAND. *La concurrence Anglo-Allemande.* F. DIEPENHORST. *Hausse des Prix et essor économique de la periode* 1895–1913. J. LESCURE.

Archiv für Sozialwissenschaft und Sozialpolitik (Tübingen).

MAY, 1914. *Objekt und Grundbegriffe der theoretischen Nationalökonomie.* WERNER SOMBART. With special reference to a recent book by Alfred Amonn. *Kopernikus' Münz- und Geldtheorie.* J. JASTROW. *Die ökonomische und sozialpolitische Bedeutung des Taylor-systems.* E. LEDERER. *Die Heimarbeit in Frankreich und ihre gesetzliche Regelung.* P. LOUIS. *Die soziale Funktion der Teuerung.* W. EGGENSCHWYLER.

Zeitschrift für Volkwirtschaft, Sozialpolitik und Verwaltung (Vienna).

VOL. 23, PARTS 1 AND 2. *Die wirtschaftlichen Konjunktur und Depressionswellen in Oesterreich seit dem Jahre,* 1896. E. BREZIGAR. *Verteidigung und Ergänzung der Böhm-Bawerkschen Preistheorie.* L. MEZEY. Followed by a reply from Böhm-Bawerk. *Unbedeckte Banknoten und ihre Einwirkung auf die Warenpreise.* J. PAZOUREK. *Neue Literatur über Geld- Kredit- und Bankwesen.* E. v. PHILIPPOVITCH. A review of six recent volumes, several of them of an historical character.

Jahrbücher für Nationalökonomie und Statistik (Jena).

DECEMBER, 1913. *Eine deutsche Eisenbahngemeinschaft.* P. RITTER. *Ueber die Ursachen der Teuerung.* W. EGGENSCHWYLER.
JANUARY, 1914. *Die Stadtwirtschaft in England.* G. BRODNITZ. An historical study dealing with the period previous to the fifteenth century. *Getreideausfuhrvergütung und nationale Futterbeschaffung.* F. BECKMANN.
FEBRUARY, 1914. *Die Fleischteuerungsfrage.* J. CONRAD. *John Stuart Mill als Sozialpolitiker.* H. GEHRIG. *Der Kursstand der deutschen Staatsanleihen.* E. HEINEMANN.
MARCH, 1914. *Bemerkungen zu dem Problem Lorenz Stein--Karl Marx.* B. FÖLDES. *Die Strucktur des Ausgabenbudgets verschiedener Bevölkerungsschichten auf grund neuerer haushal-*

tungsstatistischer Erhebungen. G. ALBRECHT. *Wohlfahrtseinrichtungen in Industriebetrieben Englands.* K. WINKELMANN. On "Welfare Work" amongst employees. *Die Brotpreise in Berlin,* 1913. H. GURADZE.

APRIL, 1914. *Die Reichsbesitzsteuer.* G. STRUTZ. Continued in May. *Neuere Literatur über die Kapitalanlage.* A. CALMES.

MAY, 1914. *Rindereinfuhr in den deutschen Territorien, insbesondere in Hessen, im* 16. *und* 17. *Jahrhundert.* J. SCHULTZE. *Die neueste Erfahrungen mit der Arbeitslosenversicherung.* J. FEIG. *Die Geldkrise in Oesterreich-Ungarn.* M DUB. *Bevölkerungsentwicklung der Vororte von Berlin, London und Paris seit* 1801. J. MÜLLER.

JUNE, 1914. *Wirtschaft und Technik.* R. LIEFMANN. *Die Entwicklung des Preisniveaus und des Getreidebedarfs in Deutschland und England in den letzten Dezennien.* Statistical tables.

JULY, 1914. *Das chinesische Geldwesen und seine Neugestaltung.* H. SCHWARZWALD. Partly with reference to the proposals of Dr. Vissering.

Schmoller's Jahrbuch (Munich).

PART 2, 1914. *Die Tatsachen der Lohnbewegung in Geschichte und Gegenwart.* G. SCHMOLLER. *Deutsch-französische Wirtschaftsbeziehungen zur napoleonischen Zeit.* E. TARLE. *Der Kampf um des Petroleum.* O. SCHNEIDER. *Aus hundert Jahren deutscher Eisen- und Stahlindustrie.* R. KEIBEL.

Weltwirtschaftliches Archiv (Kiel).

JULY, 1914. *Weltwirtschaftliche Forschung und Lehre.* B. HARMS. With reference to the opening at Kiel of the *Institut für Seeverkehr* referred to in the June issue of the ECONOMIC JOURNAL. *Die Türkei in der Weltwirtschaft.* G. HERLT. *Die internationale Organisation des Bananenhandels.* K. FRICKE. *Literatur zur Theorie der Teuerung.* F. EULENBERG. A review of recent works. *Die neue deutsche Literatur über Argentinien.* E. W. SCHMIDT.

Zeitschrift für die gesamte Staatswissenschaft (Tübingen).

PART 1, 1914. *Ueber die Entwicklung der Reichsfinanzen bis zur Einführung der ersten direkten Reichssteuern.* A. SIEBERT. *Sozialismus in Australien.* JUNGHANN.

PART 2, 1914. *Der Kampf um die Arbeitsleistung in Australien und Amerika.* JUNGHANN.

Zeitschrift für Socialwissenschaft (Leipzig).

JANUARY, 1914. *Neue Darstellungen der Geschichte der Volkswirtschaftslehre.* L. POHLE. *Die Bevölkerungsentwicklung in Irland.* F. PRINYING. Continued in February. *Grundbegriff, Aufgaben und Methode der Wissenschaft von der Volkswirtschaftspolitik.* W. HASBACH. Continued in February.

MARCH, 1914. *Nutzen und Kosten als Ausgangspunkte des menschlichen Wirtschaftens.* O. HEYN. Continued in April.

APRIL, 1914. *Die Entwicklung der Kinematographenwesens.*
MAY, 1914. *Die Bedeutung des Kriegs bei den Kulturvölkern.* S. R. STEINMETZ. Continued in June. *Die Preiskurve und das Teuerungsproblem.* L. GLIER. Continued in June and July.
JULY, 1914. *Die Weltwirtschaftslehre.* A. v. WALTERSHAUSEN.

Archiv für Frauenarbeit (Berlin).

MARCH, 1914. *Die internationalen Arbeiterinnenschutzbestimmungen.* JUDITH GRÜNFELD-CORALNIK. This opens the second volume of this quarterly publication.

Giornale degli Economisti (Rome).

MAY, 1914. *Indici Economici.* Index-numbers for the first quarter of 1914, calculated on the basis explained in previous numbers, show no decided improvement of conditions. Continued in June and July. *Del rischio.* F. INSOLERA. *Lo voi luppo di Catania.* E. INCLIMONA. *Sul "metodo del Wolf" per lo studio della distribuzione dei redditi.* C. BRESCIANI-TURRONI. *Il frumento in Italia.* G. PIETRA. *A census of Rome before the Bourbon invasion; based on Gnoli's Descriptio urbis circa* 1526. L. LEVI.
JUNE, 1914. *Sulla Teoria economica delle crisi.* G. DEL VECCHIO.
JULY, 1914. *Il dazio sul grano—in Austria-Ungheria.* M. ALBERTI. The experience of Austria-Hungary given in great fullness of detail shows duties on grain to have been deleterious to all interests except those of landowners. *Associazione nei vari Stati.* G. BRUCCOLERI. An account of agricultural co-operation in leading Continental States. *Finanze Turche.* F. FLORA. *Una mangata riforma.* L. AMOROSO. On Italian pensions in relation to insurance.

La Riforma Sociale (Turin).

APRIL, 1914. *Sulle divergenze fra statistiche del movimento commerciale.* U. RICCI.
MAY, 1914. *I prezzi delle merci in Italia nel* 1912. A. NECCO.
JUNE–AUGUST, 1914. *Appunti di parassitologia economica.* G. PRATO.

NEW BOOKS.

English

ALDERSON (A. W.). The Causes and Cure of Armaments and War. London: P. S. King. 1914. Pp. 17. 1*s*. net.

[The writer holds that the irreconcilable clash of interests, which leads to war, is caused by difference of language, and not by difference of race.]

ARONSON (H.). The Land and the Labourer. London: Melrose. 1914. Pp. 290. 3*s*. 6*d*. net.

[In favour of Wages Boards and the minimum wage. With a foreword by Lord Henry Bentinck.]

ASHLEY (W. J.). The Economic Organisation of England. London: Longmans. 1914. Pp. viii+213. 2*s*. 6*d*. net.

["An outline history: lectures delivered at Hamburg." To be reviewed.]

BAILWARD (W. A.). Some Recent Developments of Poor Relief. London: P. S. King. 1914. Pp. 46. 6*d*. net.

[Reprinted from the *Economic Journal*, December, 1912, with a postscript, 1914.]

BAILWARD (W. A.). Some Impressions of the First Six Months' Working of Compulsory Insurance against Unemployment in England. The Author. 1914. Pp. 16.

[Prepared for the Congress at Ghent.]

BARRINGTON (MRS. RUSSELL). The Life of Walter Bagehot. London: Longmans. 1914. Pp. viii+478. 12*s*. 6*d*. net.

[To be reviewed.]

Bibliography of Robert Owen, the Socialist, 1771–1858. Aberystwyth: National Library of Wales. 1914. Pp. 54. 1*s*. net.

[456 items are catalogued.]

BULKLEY (M. E.). The Feeding of School Children. London: G. Bell. 1914. Pp. xvi+278. 3*s*. 6*d*. net.

[A publication of the *Ratan Tata Foundation*, with an introductory note by Mr. R. H. Tawney. "The author treats not only the history of the movement up to the passage of the Act of Parliament, but presents the experience of the last eight years." To be reviewed.]

CROCE (Benedetto). Historical Materialism and the Economics of Karl Marx. London: Howard Latimer. 1914. Pp. xxiii+188. 5*s*. net.

[Translated by C. M. Meredith, with an introduction by A. D. Lindsay. To be reviewed.]

CUNNINGHAM (W.). Christianity and Economic Science. London: Murray. 1914. Pp. 111. 2*s*. 6*d*. net.

DAWSON (W. H.). Municipal Life and Government in Germany. London: Longmans. 1914. Pp. xvi+507. 12*s*. 6*d*. net.

[To be reviewed.]

FREEMAN (ARNOLD). Boy Life and Labour: the Manufacture of Inefficiency. With an Introduction by DR. M. E. SADLER. London: P. S. King. 1914. Pp. xv+252. 3*s*. 6*d*. net.

["Based upon first-hand investigation into the lives of a number of boy-workers" in Birmingham,—an intensive study. To be reviewed.]

GASKELL (T. PENN). The Coming Great Depression in Trade. London: P. S. King. 1914. Pp. 35. 6*d*. net.

["Will the working classes never see the truth of the principles Mr. Joseph Chamberlain put before the country more than ten years ago?"]

GIDE (CHARLES). Political Economy. London: G. G. Harrap. 1914. Pp. xiii+762. 10*s*. 6*d*. net.

[Authorised translation from the third edition (1913) of the *Cours d'Économie Politique*, under the direction of Prof. W. Smart, by Constance H. M. Archibald. To be reviewed.]

GOODALL (G. W.). Advertising: A Study of Modern Business Power. London: Constable. 1914. Pp. xvii+91. 1*s*. 6*d*. net.

[By a member of the London School of Economics, with a preface by Mr. Sidney Webb. To be reviewed.]

HIGGS (HENRY). The Financial System of the United Kingdom. London: Macmillan. 1914. Pp. x+218. 6*s*. net.

["A summary exposition of our financial system, its organisation, methods, and forms of procedure." To be reviewed.]

HILLS (J. W.), ASHLEY (W. J.), and WOODS (M.). Industrial Unrest, a Practical Solution: the Report of the Unionist Social Reform Committee. With an Introduction by MR. F. E. SMITH. London: Murray. 1914. Pp. viii+39. 6d. net.

[This pamphlet, which is the result of two years' deliberations, recommends, first, that officially appointed Boards should, in the case of industrial disputes, publish definite recommendations for a settlement, though without compulsory powers, for the guidance of public opinion; second, a gradual extension from industry to industry of the principle of the minimum wage; and third, the reorganisation of the Board of Trade, and the improvement of its statistical information. The authors do not look for any important assistance from the principle of Profit-sharing.]

HOBSON (C. K.). The Export of Capital. London: Constable. 1914. Pp. xxv+264. 7s. 6d. net.

[A London D.Sc. (Econ.) Thesis. To be reviewed.]

HOBSON (J. A.). Work and Wealth: A Human Valuation. London: Macmillan. Pp. xvi+367. 8s. 6d. net.

[To be reviewed.]

HOLE (E. S.) and HART (JOHN). Advertising and Progress. London: "Review of Reviews." 1914. 5s. net.

JONES (J. H.). The Tinplate Industry, with Special Reference to its Relations with the Iron and Steel Industries: A Study in Economic Organisation. London: P. S. King. 1914. Pp. xxi+280. 7s. 6d. net.

[To be reviewed.]

JONES (L. A. ATHERLEY) and BELLOT (HUGH H. L.). The Miner's Guide to the Law relating to Coal Mines. Third edition, revised and enlarged. London: Methuen. 1914. Pp. xii+384. 3s. 6d. net.

KEATING (REV. JOSEPH). The Drink Question. London: P. S. King. 1914. Pp. 106. 6d. net.

[*Catholic Studies in Social Reform, VII.*]

KELLEY (FLORENCE). Modern Industry in relation to the Family, Health, Education, Morality. London: Longmans. 1914. Pp. 147. 3s. 6d. net.

[The substance of four lectures given in 1913 at Teachers' College, Columbia University, by the General Secretary of the National Consumers' League.]

KELTIE (J. SCOTT), Edited by. The Statesman's Year-Book, 1914. Fifty-first year. London: Macmillan. 1914. Pp. lxxix+1500. 10s. 6d. net.

["Turkey and China have been very thoroughly revised and to a large extent re-written by the highest authorities on both countries. The constitutional changes in Egypt have been noticed, as have also the important re-arrangements in Nigeria." Some new maps have been added, including one for the Balkans.]

KIRKALDY (A. W.). British Shipping: Its History, Organisation and Importance. London: Kegan Paul. 1914. Pp. xx+655. 6s. net.

[In the *National Industries* series, edited by Mr. Higgs. To be reviewed.]

LAIDLER (H. W.). Boycotts and the Labour Struggle: Economic and Legal Aspects. London: Lane. 1914. Pp. 488. 6s. net.

[Written as a doctoral thesis for Columbia University and with reference to the American Labour Movement. With an Appendix, *Summary and Digest of Decisions in Boycott and Allied Cases* in the different States (117 pp.), and Bibliography (8 pp.).]

LAMPUTT (H. C). Notes on the Valuation of Real Property, London: Crosby Lockwood. 1914. Pp. ix+50. 1*s*. 6*d*. net.

["Prepared for students who intend taking the Intermediate Examinations held by the Auctioneers' and Surveyors' Institutions."]

MARRIOTT (J. A. R.). The English Land System: A Sketch of its Historical Evolution in its Bearing upon National Wealth and National Welfare. London: John Murray. 1914. Pp. x+168. 3*s*. 6*d*. net.

[Mr. Marriott approaches the Land Question "simply as a student of social and economic history." To be reviewed.]

MAVOR (JAMES). An Economic History of Russia. 2 vols. London: J. M. Dent. 1914. Pp. xxxii+614+xxii+630. 31*s*. 6*d*. net.

[Vol. I: The Rise and Fall of Bondage Right. Vol. II: Industry and Revolution. "The aim of the present work is to present to English readers the main result of recent historical researches which have been conducted by various Russian scholars." It is based almost exclusively on authorities in the Russian language. To be reviewed.]

MONEY (L. G. CHIOZZA). The Future of Work. London: Fisher Unwin. 1914. Pp. xvii+302. 6*s*. net.

[A collection of essays "mainly devoted to phases of the industrial problem," some of which have been printed before. "The paucity of output by our competitive system, after more than a century of production by power, is demonstrated, and an attempt is made to outline an industrial system calculated to yield a full harvest to Science while securing for the individual, albeit in an organised society, a maximum of personal liberty." To be reviewed.]

MORELAND (W. H.). An Introduction to Economics for Indian Students. London: Macmillan. 1913. Pp. xix+343. 5*s*. net.

[To be reviewed.]

ORAGE (A. R.), Edited by. National Guilds: An Enquiry into the Wage-system and the Way Out. London: G. Bell. 1914. Pp. viii+370. 5*s*. net.

[The substance of these chapters appeared serially in *The New Age* in 1912–1913. The authors, "by a fusion of the essential doctrines of Syndicalism and State-Socialism, propound a practical solution of the industrial problem in the form of National Guilds." To be reviewed.]

OWEN (DOUGLAS). Ocean Trade and Shipping. Cambridge: University Press. 1914. Pp. x+277. 10*s*. 6*d*. net.

[In the *Cambridge Naval and Military Series*. Illustrated. To be reviewed.]

PELHAM (REV. H. S.). The Training of a Working Boy. London: Macmillan. 1914. Pp. 165. 3*s*. 6*d*. net.

[With a foreword by the Bishop of Birmingham.]

PERRIS (G. H.). The Industrial History of Modern England. London: Kegan Paul. 1914. Pp. xix+603. 6*s*. net.

["The purpose of this volume is to outline the facts and to interpret the spirit of the economic history of Great Britain in the last hundred and fifty years." To be reviewed.]

ROTH (H. LING). The Genesis of Banking in Halifax, with Side Lights on Country Banking. Halifax: F. King and Sons. 1914. Pp. 51. 10*s*. 6*d*. net.

[With 43 full page collotype plates and one copper plate of local Bank Notes. To be reviewed.]

ROWNTREE (B. SEEBOHM) and PIGOU (A. C.). Lectures on Housing. Manchester: University Press. 1914. Pp. 70.

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THE ECONOMIC JOURNAL

DECEMBER, 1914

THE MECHANISM OF FOREIGN INVESTMENT IN FRANCE AND ITS OUTCOME, 1890–1914[1]

IT is a well-known fact that French joint stock banks (*sociétés de crédit*) derive part of their income from their stock and share department: the business of selling to clients bonds and, along much more restricted lines, shares, is considered as a normal and essential feature of joint stock banking. At times, here and there, managers of local branches may even devote more care and attention to the delicate handling of clients for investment purposes than to other lines of their business which prove less remunerative or can be dealt with through the simple appliance of routine. Low charges for the safe custody of bearer warrants, the most widespread form of security in France, hardly any charges at all for cashing coupons, even easy terms of discount have, more than once, served the purpose of securing business connections with clients supposed to be valuable outlets for securities on sale because of their saving propensities or, still better, of their unsuspecting docility to abide by the banker's advices as to the way of investing their money or shifting from one investment to another. In an organisation so framed—with the bond and share selling business at the front—a valuable bank clerk, or even a valuable branch manager, is often such in his capacity as a valuable salesman for securities, a salesman upon whom nature has lavishly vested her gifts of persuasion and sympathy, whilst education

[1] *Note by Editor.*—This article was written before the outbreak of war. It throws much light, however, on the underlying causes which left Paris in the summer of this year in a position of much less financial strength than we have been accustomed to expect of her. The article has not been translated: the author's English, though bearing some marks of a French origin, conveys his ideas better than a translation would.

has added a finishing touch of agreeable politeness, a salesman to whom, perhaps, social standing, if not a chance title of nobility, affords the finest opportunities of successfully approaching the investor in a calm atmosphere of absolute confidence. From time to time clerks, called *demarcheurs*, are dispatched to visit clients, or possible clients, at their homes and so make them alive to the advantages of some particular bonds and shares, very much in the same manner as commercial travellers are wont to visit people inviting orders for wine, gingerbread, or any other sort of goods.

Such overwhelming importance given to the bond and share department has been the characteristic of one, or two, or more, French joint stock banks, big or small, who now lament over the losses suffered by their clients. They used fondly to nurse their stock and share department because they made much out of it, and they made much out of it because the choice of securities was indiscriminate, except from one single standpoint: the margin of profit accruing, if not to the joint stock bank herself, at least to persons in close or intimate touch.

Really first-class French joint stock banks have not indulged in the selling of securities except of the most approved type, and have devoted vigilant attention to their banking business proper, exercising perhaps more care in the prudent selection of advances and bills than any other set of banks in the world are used to do, and therefore affording an almost unequalled safety to depositors at the expense, so some people contend, of the economic development of the country at large, there being no adequate credit accommodation for new, risky ventures which, in order to live and prosper, must borrow, to some extent, on the hopes of a promising future. But this is not our point: the object of the present article is to outline the main features of the mechanism which has been operative in promoting the excesses and blunders of the Paris security market during the past few years.

Securities are sold to the public by the joint stock banks (*sociétés de crédit*); by the financial companies (*banques d'affaires*); by private financial firms; and also by syndicates, home or foreign, who may act independently of any of the French joint stock banks or financial companies, the services of unofficial brokers, *i.e.*, brokers of the outside market (*coulissiers* or, to use a less familiar term, "*banquiers en valeurs*") being, in this case, largely resorted to. Some rare but notable instances have occurred when the official brokers, *i.e.*, brokers on the floor of the Stock Exchange (*agents de change*) have been actively engaged in

selling, at a special profit for themselves, a given block of securities.

The joint stock banks sell bonds and shares through the network of their branches, thanks to their direct and personal contact with clients. If the block of bonds or shares of a certain description to be disposed of by a joint stock bank at one time is well inside the buying capacity of clients, for the time being, the services of the financial Press are not needed; whilst, on the contrary, the helping hand of the financial Press (financial papers, financial sections of daily political papers, weekly or monthly magazines) is most welcome when bonds or shares are to be sold on the market by a financial company, a private financial firm or a syndicate. However, the most eloquent and impressive exhortation of a financial paper is not always worth half as much as the solid grip of a French joint stock bank clerk on his French client. Thus it has been contended, rightly or wrongly, that, in some instances, joint stock bank clerks have been bribed by other parties, and so induced to saddle the clients of their firm with bonds or shares from a totally different source and of a totally different merit, too. Each time the treacherous practice has been discovered, or suspected, the unfaithful clerk has been, very likely, turned out, but new men perhaps have always been found available for new temptations.

By whatever means it may have been conducted, the security selling business has been growing up at a very great rate during the last decade or so. The capital increases of the great joint stock banks (*sociétés de crédit*), however, are no evidence of this, since such increases can be accounted for by the necessity of keeping pace with the expansion of normal banking business, whilst the special bond and share department ought not to require much extra capital. The great joint stock banks are indeed supposed never to take up firm any large block of securities, especially if the securities are of a somewhat risky nature and not in evident harmony with the natural tendencies of their own clients; they are supposed, rather, to take up options on successive slices or to sell on commission for the account of the financial company (*banque d'affaires*), or private financial firm, or syndicate which acts as a wholesale merchant, selling through a giant retailer, the *Société de Crédit*. It is the capital increases of the financial companies (failing similar indications concerning private financial firms and syndicates) which afford the simplest clue, if not of the actual progress of the bond and share selling business, at least of the organised efforts accomplished in this direction.

Aggregate figures of paid-up capital and reserves (less real estate) for the principal Paris financial companies (*Banques d'Affaires*) have increased 193 per cent., say from 216 to 637 million francs, during the fourteen years from January 1st, 1900, to January 1st, 1914[1]:—

Designation of Bank in 1914.	Paid-up Capital and Reserve less Real Estate. Jan. 1, 1914. Francs.	Designation of Bank or of any constituent Bank, subsequently absorbed, in 1900.	Paid-up Capital and Reserve less Real Estate Jan. 1, 1900. Francs.
Banque de Paris et des Pays Bas	234,139,853	,,	86,789,591
Banque de l'Union Parisienne	130,687,685	Banque Parisienne ...	19,381,723
Banque Française pour le Commerce et l'Industrie	66,941,052	Banque Internationale de Paris	43,311,021
		Banque Français de L'Afrique du Sud ...	35,834,698
Crédit Mobilier Français	90,146,208	Office des Rentiers ...	1,500,000
		Société de Crédit Mobilier	6,000,000
		Compagnie Française de Mines d'Or et d'Exploration	13,122,720
Crédit Algerien	14,471,976	,,	9,771,835
Caisse Commerciale et Industrielle	18,342,288	,,	1,200,000
Société Centrale des Banques de Province ...	31,818,415	——	——
Crédit Français	50,917,253	——	——
Totals ...	637,464,730		216,911,588

More workmen means more work achieved; but you can put it the other way round: more opportunities for work calls into existence more workmen. So the present French financial companies were called into existence or enlarged.

[1] Amount carried forward considered as a reserve fund. Amounts credited to the respective reserve funds according to appropriation account of the balance of profit and loss for the fiscal year last closed. Special remarks concerning certain banks as follows: the part of the *Fonds de prévoyance* of the *Banque de Paris et des Pays Bas* belonging to Directors is not included in this table. Figure for the *Office des Rentiers* is only approximate: we have entered the figure for which the *Office des Rentiers* was taken over by the *Crédit Mobilier Français* when this latter Company was formed in 1902. Figure for the *Société de Crédit Mobilier* only approximate: we have entered the figure for which the *Société de Crédit Mobilier* was taken over by the *Crédit Mobilier Français* when this latter Company was formed in 1902, assuming that it represents a more correct valuation than the figure of 17,392,615 francs arrived at by the usual compilation of the balance sheet at December 31st, 1899 (the debit balance of Profit and Loss being in this case subtracted from Capital and Reserves). Figure for *Caisse Commerciale et Industrielle* on January 1st, 1900, only approximate: we have entered the figure of the nominal capital. In the case of the *Société Centrale des Banques de Province* there exists, over and above the paid-up capital, a balance of capital subscribed but not paid up amounting to 75 million francs: this is the only instance amongst the companies recorded in our table of capital subscribed but not paid up.

Of the four absolute systems imaginable for providing a security market with its yearly diet of securities—viz., a network of joint stock banks actively engaged in financing and fostering national industry and the national export trade; a network of private financial firms; a network of underwriting syndicates being continually shaped out of various capitalistic elements just for the little time of a transitory life; a network of joint stock financial companies (*Banques d'Affaires*);—this last system is the one which plays the principal part as regards the French security market. The underwriting syndicates pass away; it belongs to their nature to pass away; the danger of financial companies, for the market, arises, at times, from their very permanence; they have to pay their way all the time by means of a continuous flow of securities; they have to depend for their living, for the maintenance of their general charges and of a decent rate of dividend upon the one single bond and share industry. But why maintain or increase the dividend in defiance of the interest of clients and of the public, since such a result can only be achieved, at certain junctures, through the selling of securities which will, in after times, stick like thorns in the financial flesh of the clients or of the public? Why? Why are angels themselves now and then liable to be tempted? When a finance company puts through a bond or share deal, he who makes the most money is not always the shareholder, nor even the generality of directors, nor even, perhaps, any of the nominal directors. It is someone, some unknown one, who is something in or about the company. The unostentatious profit-maker is not he whose business it is to pay the bill when the day of reckoning comes; he is as unreservedly optimistic as he is unostentatious. Why maintain or increase the dividend? Because the credit and standing, and consequently the business possibilities, of a finance company hinges to some extent upon the rate of dividend. On the other hand, some people who happen to be shareholders in the company would fain sell their shares at a good price: if only dividends went up! This is all very well, but to juggle rashly with millions' worth of securities may pave the way to some dismal personal responsibilities. Certainly, on the board and in the ranks of the staff of a finance company everyone's neighbour may have to bear upon his shoulders heavy responsibilities for blunders, but everyone's neighbour turns out to be no one. Otherwise with private financial firms; with them the principle of responsibility is to some extent effective, and, moreover, no such inducements exist, as in the case of Finance Companies, to swell profits at

all cost, despite intrinsically adverse conditions in the world's markets: the firm's standing is independent of the rate of profit which is at all times kept secret; the partnerships are not parcelled out in shares, they are not on the market, they are not for sale, they do not require to be boomed. With joint stock banks of the German type, acting as principal providers for every line of securities, soberness of mind may originate from a sense of identity between the permanent interests of the country and the real interests of the banks themselves. In short, finance companies may not be always the most healthy mediums to keep a market alive with new securities. As an instance, quite an army of trust and finance companies cropped up on the London market during the Mexican and South American fever, preparatory to the crisis of 1890; true it is those trust companies were not meant to sell securities to the public, they were meant simply to hold Latin-American or other securities on account of the public, to disguise such holdings under the veil of their own debentures and shares, to make them appear safer by dint of spreading the risk.

The out-pouring of securities on the French market during the five years 1909–1913 was enormous; it exceeded somewhat the rate of 1905–1906—when the Bourse enjoyed a spell of prosperity prematurely closed by the American crisis of 1907—and much more the rate of 1899–1900—when the preceding well-defined business boom occurred—being above by perhaps 50 to 100 per cent. However, to the spectator of the day, the rate of 1899–1900 appeared abnormally high, being three times, six times, and twice the rates of 1892, 1893, 1897 respectively, the leanest years of the decade 1891–1900. But again the rate of 1889–1890 was above the rate of 1899–1900, and approached the rate of 1905–1906 and the rate of 1909, that first, still timid and lingering, of the five years 1909–1913, which stand out as a period of great business prosperity through the whole economic system of Europe, embracing, besides the colonies, Japan and Latin America: in 1889–1890, the preceding heroic cycle of Latin-American finance had culminated.

If the recent years have, in common with years 1889–1890, a South American tinge, they have, in common with the extravagant French business boom of 1881–1882, great real estate activities: according to the last annual report of the *Credit Foncier de France*, the joint stock company invested with the privilege of loaning money on real estate, the balance of loans in that company's books increased more during the year 1913 than during any other individual year since 1882. Building trades were correspondingly very active. Magnificent wine crops, coupled with high prices

for wine, had set land and town property speculation ablaze all through the years 1910, 1911, 1912, 1913 in Algeria. Good work has been proceeded with too, in the way of setting up metallurgical plants and other factories on the European soil of France, whilst important betterments of the Paris city transport facilities were under way. In short, a purely domestic business boom may be said to have been characteristic of the last two years in France: during each of the years 1912 and 1913 the amount of French securities—including French colonial securities and the securities of French companies abroad—issued or listed on the French market was perhaps about equal to the amount of foreign securities issued or listed. That is a very high proportion: the usual proportion of French to foreign securities issued or listed may perhaps not be more than one-third or one-half, or even less. The existence of a purely domestic business boom side by side with the foreign boom was also conspicuous in 1899–1900, causing, in 1900, the amount of French securities issued or listed to be about equal to the amount of foreign securities; but 1905 and 1906 were years of a purely foreign boom on the Paris market.

Now the 1909–1913 boom has passed away. However, apparently, the big flow of securities always outlives a business boom. The French experience of 1891 and 1901, when the issuing and listing of securities still reached the high-water mark, although the business boom was over respectively in 1890 and 1900, had given a hint of the fact which the experience of the day does not contradict: in point of issuing and listing securities on the Paris market the first half of 1914, after the business boom had ended, kept pace very nearly with the first half of 1913, when the business boom was still in process.

The general trend of new securities sold yearly on the French market being thus outlined, we cannot help reflecting that we know very little, after all, of what the real figures should be. If, on the one hand, the figures for French securities, including French colonial securities and the securities of French companies abroad, can be pretty accurately arrived at, the figures for foreign securities, on the other hand, are open to several kinds of misrepresentation. In the first place, a large body of French investors have been, rightly or wrongly, supposed, from fear of an exaggerated and unfairly assessed income tax, still to come, to accumulate foreign security holdings on deposit in banks abroad. It is understood that such easily scared investors not only buy foreign securities, but buy them on foreign markets and re-invest the income exactly in the same way and manner, so

that not a cent of such moneys is ever heard of any more within the boundaries of France. On the face of this, the amount of money invested yearly by the French would appear to be grossly under-estimated if it were not for two countervailing influences, the net result being to the effect that, on the contrary, current estimates of French savings, annually invested in securities, are in all likelihood very much above sober truth. Now, what about the countervailing influences? A block of foreign securities has been offered for subscription on the Paris market; the statistician has no choice but to record the whole block as having been taken up by the Paris market, although the same block of securities may have been simultaneously offered on other markets. Where have the securities gone? The range of doubt is even greater still with securities merely listed on the Paris market. To what extent has the French public been tempted into buying? Often syndicates, or the companies themselves, when they get shares listed on the Paris market do nothing more than court a mere chance. The shares stand at a magnificent premium, and they are a good bargain—for the seller. The possibilities of a broad local market with attending speculation have to be held out to the French public as an inducement to come in: the listing of a large amount of shares is heralded. The French investor is expected to make good all expenses with an enormous extra profit to the company or promoting syndicate. And so is it sometimes, but oftentimes the new investment meets with no success or very little success at the hand of the French investor; the honest public stands aloof. But in the eyes of the statistician, that blind-born accountant, the public entered the ring, and the bulk of French savings annually invested in foreign securities stand at a much exaggerated figure. Worse still, the figures are overrated in a measure highly variable from year to year, so that no adequate comparison is possible between the figure of one year and that of some preceding or ensuing year. Perhaps at the height of a boom, when the crisis is already looming ahead at no immeasurable distance, the statistical figure of annual French takings of foreign securities is more misleading, more overrated, than for a while before. Shares, generally, stand at a level of very inflated values; accordingly, foreign syndicates and companies are over-anxious to sell shares to the French, and, for the same reason, the French, too, are apparently over-anxious, although not to the same extent, to buy the shares. At such moments the Paris price list is well nigh swamped with newly listed foreign securities, and the percentage of discrepancy

between the amount of new foreign securities listed, *i.e.*, offered, and the amount of new foreign securities really taken up grows to a maximum. The discrepancy, in all likelihood, declines to a minimum, and perhaps dwindles to a mere nothing when business and prices the world over are at their lowest ebb. This is no time for foreigners to think the French well worthy of buying their shares, so the listing in Paris of new foreign shares is practically at a standstill, except when capital is really wanted and sure to be obtainable almost exactly to the extent of the shares listed. Then statistical figures are correct? Yes, if cheap money following in the wake of low business conditions does not attract the listing of big foreign loans.

A second cause tends unduly to magnify the figures of annual French savings invested in foreign securities. Against the foreign securities bought from foreigners there is a set-off—the foreign securities sold by the French to foreigners. Now, the French investor, to a large extent, buys and sells according to the advices tendered to him by his financial advertisers. The financial adviser advises to buy according to the personal advantage he draws from the transaction; he advises to sell anything that the client is likely to sell most willingly and in the greatest possible quantity. What is indeed the object of the adviser when he advises to sell? He is not directly interested in the sale, he is only interested in the sale in so far as it will provide the biggest possible amount of liquid funds to assist in buying exactly the kind of stuff which he wants to be bought. Therefore, he gives the lead to his client as far as buying is concerned, he follows the lead of his client as far as selling is concerned, because in so doing, in adding the weight of his approval to the natural tendencies of his client, he is bound to make much more headway. Such practices may be the reason why, at times, the French resell to foreigners large quantities of foreign securities which they ought not to resell, while they buy with the money derived from the sale large quantities of new foreign securities which they perhaps ought not to buy. And the statistics gravely record that the French have bought enormous amounts of foreign securities during the year. Yes, possibly, but it does not follow that they have added so enormously to their net holdings of securities, or that they have got hold of the right path to grow quickly richer: if it is a bad thing to buy advised securities, it is no better to sell when one feels most inclined to sell, which usually occurs in forlorn markets.

The mistake of statistical figures be what it may, the fact remains that during the years 1909–1913 the French have in-

vested exceptionally large sums in securities. So much about the quantity, what about the quality?

We may well overlook the securities that do not make people uneasy just yet—nobody thinks of his limbs when they are sound. What, then, do we find?

Bonds of two Yankee companies, the St. Louis and San Francisco and the Missouri Oklahoma, responsible for a loss of, may be, several millions sterling, the usual contingent of shares in mining companies with English-sounding names, variously intended for winning gold, copper, or some other metal, and uniformly listed on the Paris market at specially arranged prices, are less representative of the period than the four following items: investments in Argentina, Brazil, Eastern rubber plantations, Mexico.

Of the 3½ thousand million francs, the aggregate amount of French investments in Argentina, according to Mr. Eugenio Garzón,[1] mortgage companies (*Credits Fonciers*) securities represent some 425 millions, banking shares 115 million francs—half of which stand for shares in a foreign banking company, only released to the Paris market at substantial prices—and 375 millions are represented by bonds and shares, mostly bonds, of two railway companies, comparatively new concerns brought out for the dangerous purpose of under-bidding traffic from very old established British companies entrenched behind formidable bulwarks of wealth and experience. Mr. Garzón's figures bear the date of March, 1911; for all we know, at the time they were perhaps too high, on account of the difficulty of estimating the amount of securities purchased as distinct from the amount of securities listed; and equally, it may be, that Mr. Garzón's figures are now too low, on the basis of cost price that is to say: since March 1911, new supplies of Argentine securities have been forthcoming; it would be no wonder, as an instance, if the French mortgage holdings now exceeded materially the above 425 millions, without making any allowance for mortgage cedulas of the Province of Buenos Ayres, large quantities of which were bought from time to time during the past few years. Nearly the whole of the mortgage holdings, a majority of the bank shares holdings, the whole of the securities of the two young railway companies above referred to, are acquisitions of the last decade.

Of the Brazilian securities held by the French, representing, according to Mr. Alexis Caille,[2] a par value of some 4 thousand

[1] Eugenio Garzón: *L'Amérique Latine—République Argentine.* Paris: Bernard Grasset, editeurs.

[2] Alexis Caille: *Le Bresil et la commandite Française.* Paris: N. Martin, editeur.

million francs, about five-eighths, namely $2\frac{1}{2}$ thousand million francs, have been piled up during the last ten years: at quotations ruling by the end of March, 1914, the $2\frac{1}{2}$ thousand million francs, par value, did not stand for quite $1\frac{3}{4}$ thousand million francs, actual value. This points to a loss of $\frac{3}{4}$ thousand million francs. How? Has such a big amount of money been lost? By no means. The amount of securities held by the French is necessarily over-estimated, as explained above; in the second place, the securities, as a rule, were offered to the public below par; in the third place, no doubt, the Paris middlemen had the securities at an inside price quite materially lower than the price paid by the public. A remarkable item is the item "harbour and transport securities" (mainly guaranteed), all of them purchases of the last ten years: as against a par value of 1,250 million francs, the actual value by the end of March stood at only 694 millions. The mortgage companies (*Crédits Fonciers*), half a dozen in number, also offsprings of the last decade, with an aggregate par value of 169 millions, include the "*Banque Hypothécaire et Agricole de l'État d'Espirito Santo,*" which has defaulted, on June 1st, 1914, although still in its tenderest infancy: the money derived from the issue of bonds, to the extent of about 40 million francs par value, has been apparently distributed amongst various concerns of the most surprising character, whilst hardly any mortgage loan business has been conducted at all, with the result that the only line of defence to fall back upon is the guarantee of the impecunious state of Espirito Santo originally given to the bonds. In the case of the Brazil Railway the French public candidly paid enormous amounts of hard cash for that modern product of financial distillation, water, or, as we say in French, taking our image from a more frivolous element, wind. This mistaking of wind for hard cash is not, however, a distinctive feature of the French investor's mentality as operating in Brazil. What, then, did the French investor in Brazil more especially overlook? He overlooked the fact that so many individual States in Brazil, so many different credit merits; the fact that a railway or harbour is not entitled to the promised guarantee for certain until the entire construction has been finished within the prescribed time limit and in compliance with specifications: the fact that Governments without financial training are apt to promise more in the way of guarantees than they can conveniently perform, the burden of the guarantee being in their eyes not an immediate and therefore not a definite burden; the fact that a market entering at one

time upon too many important new undertakings in a given country, say Brazil, runs the risk of lacking a sufficient number of high-spirited and enlightened capitalists to weather the bad times, and nurse and feed the new unproductive undertakings into the fulness of their age and productivity.

Mistakes!—Slight mistakes, after all! The basic mistake of the French public as regards Brazil has been to have faith in supposed immediate prospects of extreme brightness. Business began to look up in Brazil when the first real rubber boom occurred, that is in 1899; the unprecedented rubber boom of 1910 was an incentive to the flooding of the French market by haphazard Brazilian securities at a time when, on the contrary, a movement ought to have been started gradually to withdraw capital from Brazil. Did not the 1910 rubber boom illustrate that period of dear rubber which gave birth, all at once, to the enormous Far Eastern rubber-planted area, of which the output could henceforth be foretold with a probability akin to the certitude of astronomical prediction? A spell of tarnished splendour for Brazil could henceforth as clearly be inferred from the prospect of waning prices and waning outlets for the second Brazilian staple, rubber, as a spell of brightened splendour might have been inferred some twelve years before from the first brilliant achievements of automobiles pointing to such enormous new outlets for rubber.

At the same moment that the French were more and more busily engaged buying Brazilian securities they were also buying British and Dutch rubber shares at top or nearly top prices. In 1910 115,000 preferred and 185,000 ordinary *Malacca* shares were introduced on the Paris market at prices, respectively, of 438 and 428 francs: ordinary now stand below 100 francs. The capital disbursements arising out of the *Malacca* shares introduced in 1910, on the basis of the introduction price, was 129,550,000 francs. How much of this amount was really paid by the French cannot be elucidated. The *Malacca* was not a solitary instance of the ruinous bargains then made by the French public: plenty of other rubber propositions, although individually not of the same magnitude, were introduced on the Paris market. And so, once more, the Frenchman has to sit down and sadly reflect that French inventions, as a rule, turn against the interests of France. In this particular case the French have invented the automobile; the prosperity of rubber ensued, and it so happens that France will be found to have lost hundreds of millions of francs as a buyer of Brazilian securities coupled with Eastern

rubber shares! Then what's the use for a nation of having, with her heart and brain, promoted half the progress of humanity in science, art, and literature, in short, in human life since the beginning of the Christian era?

It may be added that the money lost on rubber shares was, from a certain standpoint, more utterly lost than money lost in Latin-American securities. Now and then, out of the money paid by the French for Latin-American securities, some stray French machinery was ordered, or some stray Frenchman employed. Out of the money paid for rubber shares nothing French was ordered and no Frenchman employed.

The mistake that allured the French into Brazilian securities and rubber shares was an arithmetical mistake: so many acres planted had to produce, after a while, so many pounds of rubber. The mistake that allured the French into Mexican securities was double, political and monetary; political, because it was preposterous to suppose that a country which had so long indulged in the sport of revolutions could do away for ever with its national sport, thanks to the magic and everlasting energy of a single man, President Porphyrio Diaz; monetary, because when the French were so actively engaged in buying Mexican bank shares and, to a lesser extent, Mexican industrials, some signs of over-expanded credit, forerunner of a possible future crisis, were already visible; monetary also because the slender gold fund accumulated at one time could hardly be supposed, even in perfect peace, to withstand a severe economic shock, unable, therefore, to confer upon the paper dollar a really permanent gold value which would warrant the comparatively low rate of interest which the French were only too glad to derive from their newly acquired Mexican investments. The movement to buy Mexican Government bonds may be said to have started in 1904, or thereabouts. National railway bonds with the Government guarantee were also bought in due course. The movement to buy Mexican bank shares, started in 1905, was rampant in 1906, and went on until the Paris market had finished buying out all the Mexican joint stock banks, big or small, local or central, indiscriminately and at indiscriminate prices, not very much in advance of the day when the Porphyrio Diaz Government was overthrown. On the top of it all came, in 1910, an absurd gambling mania in Mexican mining shares, mainly Mexican gold mines, though other mines also attracted public enthusiasm; a single gold mine, the *Dos Estrellas*, falling from 828 francs in 1910 to 160 francs in 1914, meant enormous losses to the French

public, as the capitalisation fell from 207 million francs, when the public was buying, to 40 million francs, when they had bought, and when the reef, after having been promisingly good, had become treacherous. No wonder, with such investment methods, if the percentage of money finally lost upon money invested in Mexico during the last ten years turns out to be greater in the case of France than in the case of other capitalistic nations: civil war is not alone to be blamed.

The enthusiasm for Mexican securities had an excuse: the remarkable success of some Mexican concerns, one bank, the National Bank, sundry industrial or mining concerns—initiated, more or less, by the French.

Figures may be presented, as follows[1]:—

New French Investments in Mexico (Millions of Francs) entered upon, say, during the Last Ten Years.

	Amount in 1910 on the basis of average price in 1910.	Amount in 1914 on the basis of price on April 30th 1914.	Falling off in Value.
State loans...	594	402	192
Railways (guaranteed) and Tramways	227	120	107
Banks and Mortgage Companies	254	79	175
Dos Estrellas Gold Mining Co.	207	40	167
	1,282	641	641

Old Investments (Millions of Francs).

	Amount in 1910.	Amount in 1914.	Falling off in Value.
Aggregate	749	451	298

The falling off on new investments can properly be termed a loss, since new investments have actually been paid for at prices not very different from the average prices ruling in 1910, the last full year of President Porphyrio Diaz's term of office. The falling off on old investments, quite to the contrary, is not a clean loss of French capital: 1910 prices represented in several instances a huge profit on the initial cost price. For instance, although securities of the National Bank of Mexico, that ringleader of

[1] *Dos Estrellas* is partly an old French investment; on the other hand, the aggregate of old investments, as given, includes a certain percentage of new investments. To frame our statement, we have supposed, fictitiously, that the amount of old investments wrongly included under the item "Dos Estrellas" was equal to the amount of new investments wrongly included under the items "old investments, aggregate."

Figures relating to Mexico are mostly drawn from the pamphlet *Nos revendications, la fortune Française au Mexique, nos pertes*, published by the *Ligue de défense des intérêts Français au Mexique.* Paris: 18, Rue de Paradis.

old French-Mexican investment, declined from a market value of 269,875,000 francs in 1910 to a market value of 109,675,000 francs on April 30th, 1914, the buying of the shares of the National Bank of Mexico has very likely proved tolerably good business for the French.

With the usual remark that estimates of French holdings and consequently of French losses are apt to be exaggerated, we will conclude our account of French capitalistic experiences in Mexico.

It suddenly broke in upon the public that the Mexican civil war was by no means an insignificant episode; that quite a crisis was developing in Brazil, and something like a crisis in Argentina; that rubber was a drug, and finally that they had been losing hundreds and hundreds of millions of francs on some of their pet investments of the few last years.

On the other hand, countries which had been accustomed for some time to draw large sums from France each year, against securities sold, and who were able, thanks partly to that circumstance, nicely to adjust their balance of indebtedness with the outside world, felt very ill at ease when the Paris market recoiled. The standstill in the sales of bonds and shares of mortgage loan companies, not to speak of bank shares, was felt especially as a severe blow; such sales being used to bring in net cash, most agreeable to speculators, real net cash without any deduction for imported building material, supplies, or the salaries of foreign employees, as is so often the case with securities floated abroad by the Government, or railway companies, or industrial companies. Roughly estimated, the absorption of Argentine and Brazilian securities by the French market, since 1909, has been as follows (in millions of francs) [1] :—

Year.	Argentina.	Brazil.
1909	227	219
1910	524	453
1911	664	296
1912	98	210
1913	118	305

Two or three at least of these figures may be too high, as, for example, the Argentine figure for 1911, which may be unduly swollen by a large Argentine State loan wholly credited to the French market, although other markets may have taken up part of it; or again, the Argentine figure for 1913 on account of shares offered to the French public but eventually declined.

[1] All our figures of securities issued or listed on the Paris Market are taken from *L'Economiste Européen.* Statistics similar to those of the *Economiste Européen* but started a few years later are to be found in *Le Rentier.*

Perhaps, amongst other features, the feverish character of the recent capitalistic mood in France will be, best of all, emphasised by the mania for shares of foreign banks, and shares and bonds of foreign mortgage companies (*crédits fonciers*), which have been pouring into the Paris market with unexampled facility. The foreign banks existed, and it was only a matter of importing the shares, but the *crédits fonciers* had to be created on purpose: they were termed *banques hypothécaire* when, for a given country, one or several *crédits fonciers* being already in existence, a new label had, perforce, to be attached, evidently not so catching as the one ideal label, "*crédit foncier*," but catching, nevertheless, on account of some sort of family likeness. So *crédits fonciers*, brand new, were to be seen in all sorts of young and promising countries. Outside Mexico, Brazil, and Argentina, securities have been issued by a *Banque Hypothécaire* for Chile, a *Crédit Foncier* for Cuba, a *Caisse Hypothécaire* for Canada, another one for Egypt, a *Crédit Foncier* for Servia, and by the *Crédit Foncier d'Orient*, supposed to embrace nothing less than the whole Balkan Peninsula and Asiatic Turkey, with their respective possibilities, not to speak of some other bordering countries!

Little did the French investors think of the enormous risks entailed by banking in a booming new country; of the fluctuating value of agricultural lands and town plots; of the fanatic speculation on both; of the discreditable machinery making the price of solid ground something so very volatile. Little did they realise that loans are an asset less likely to survive after a severe crisis than railway or harbour undertakings built up on their own commercial merits.

The French investor only thought of the *Crédit Foncier de France*, of which the bonds, aggregating an enormous sum, are very widely disseminated, an exceedingly conservative concern in an exceedingly conservative country; he thought, too, of those old-established companies, "*le Crédit Foncier d'Autriche*" and "*le Crédit Foncier d'Égypte*"; with little knowledge of things outside; he did not suspect that the same words, *crédit foncier*, the very essence of what is reputed to be safe, could designate things so different, as fickle in such and such an instance, as in other instances they are solid. And so the success was assured of the newly-born-somewhere-oversea-*Crédit Foncier*, that most representative type of the French investment boom, 1909–1913.

It must strike one that a boom with such a feature representative of it must have been unmistakably a popular boom. And so it has been: the poorest people just with savings to the

tune of a few hundred or a few thousand francs have been discovered resting, as safely as though upon gilt-edged securities, upon securities, if not wild-cat, at least akin to the wild-cat.

As far as the public is concerned, the 1909–1912 investment boom has been perhaps the most widespread ever seen in France.

If all classes of the public partook in the losses, numerous were the banking and financial firms who partook in the responsibility for the losses: nearly all the financial companies; one of the three leading joint stock banks; quite a number of private provincial banks, which had formerly refrained from selling to clients risky foreign securities. Hardly any episode has been more characteristic of the financial developments of the last few years than the formation in 1904 and the rapid growth of what has become the *Société Centrale des Banque de Province*, working hand-in-hand with its sister company, the *Caisse Commerciale et Industrielle*; the *Société Centrale des Banques de Province*[1] turned out to be a regular purveyor of foreign securities for sale on commission at the service of practically all the French provincial banks, linked together for the purpose—quite a new departure; an important section of the contingent of associated provincial banks, however, were distrustful and only joined in the fray with prudence, discrimination, and scepticism.

The diagnosis of the 1909–1913 investment boom is, at the same time, a diagnosis of the crisis that ensued. Extraordinarily grave, some people would say. Why? For the past twenty-five years the Paris market has lost money more than once, and should have grown accustomed to it, as to a matter of common practice. Somewhat before the Baring collapse, the Paris market, stirred at last by the British example, began to realise the merits of Argentine and Brazilian securities, too late, perhaps, to secure the profit, too early to avoid the loss. According to what may be an idle tale, a cleverly engineered emigration of Portuguese State bonds from London to Paris took place just a little time before the collapse of prices, discounting the default, which became an accomplished fact towards the middle of 1892. Hundreds and hundreds of millions of francs were lost by the Paris market, to the credit of London, in 1895, when the great gold-mining boom, coupled with a boom in nitrate shares, occurred; large sums were also lost to the credit of Brussels and St. Petersburg, when, in 1900, the boom in Russian industrials had to be liquidated—not to speak of the capital annihilated at the time in two iron and

[1] Organised partly in the style of a Co-operative Society.

steel works newly started by the French on the Russian soil, the one utterly, the other momentarily unsuccessful.

So it is that the 1909–1913 boom and its consequences belong to an uninterrupted series of similar facts, only different from each other in some outward forms and, to some extent, in importance.

From what permanent reasons did such permanent consequences follow?

That easy sympathy, that belief in the good faith of fellowmen, that leaning towards enthusiasm, that artistic and literary genius which renders the French so prone both to generalise and to study facts and figures in detail with loving care, have been all taken unfair advantage of by rascals and by their sophisticated, oral and written, financial literature. Properly used, the same qualities have been very successful in a number of isolated instances; thanks to them, amongst other achievements, the Suez Canal has been dug, the magnificent aluminium [1] mining industry built up. There is no reason why, some day, with proper training and organisation, the same qualities should not bear their natural fruit in the shape of a very powerful system of sound and constructive finance.

MARCEL LABORDÈRE

[1] Aluminium, as far as I know, has been discovered by a French scientist, the process for winning it evolved by another French scientist, and, industrially as a producer of the metal, France still keeps at the front.

WALTER BAGEHOT.

Life of Walter Bagehot. By his SISTER-IN-LAW, Mrs. RUSSELL BARRINGTON. With portraits and other illustrations. (London: Longmans. 1914. Pp. viii + 178.)

As stated in the preface, this book appears thirty-seven years after the death of Walter Bagehot. Most of his political friends have long since been dead, and the letters they may have preserved in their lifetime are no longer forthcoming. Bagehot himself always destroyed any letters he received, except those from his parents, his father-in-law, James Wilson, founder of the *Economist*, and Richard H. Hutton. For various reasons, from 1860 to his death in 1877 few of these letters passed, and "hence the biographer's best material ceases many years before Bagehot's death." The sources that remain are his articles in the *Economist* (in general two every week from 1859 to 1877), personal reminiscences, and a Diary kept by his wife, Mrs. Barrington's sister. The limitations of the materials, and the lapse of time since his death, must be remembered in reading this *Life*.

Readers of this JOURNAL must also remember that the biographer has not written her book solely, or even mainly, for the benefit of economists—even the chapters with economic titles, "Lombard Street" and "Economic Studies," are only partly devoted to the works named. Of new material of a purely economic character there is very little, and that little chiefly of personal interest, *e.g.*, an account written by Lord Welby of Bagehot's invention of the Treasury Bill. Lord Welby writes under date October 5th, 1912: "In former days when I was at the head of the Finance Branch of the Treasury, I made the acquaintance (a privilege which I value highly) of Mr. Walter Bagehot. The *machinery* of our financial system is complicated, and Mr. Bagehot is the only outsider who had thoroughly mastered it. Indeed, he understood the machine almost as completely as we who had to work it. . . . Chancellors of the Exchequer attached great weight to the opinion of Mr. Bagehot,

especially Sir Stafford Northcote, who consulted him on several occasions. In 1877 Mr. Bagehot rendered great financial service to the Government by devising a new form of security which enabled the Treasury to borrow quickly and on favourable terms." There follows a technical account of the Treasury Bills and a judgment on their great success. "They have not only met ordinary emergency demands, but they have stood the strain of a great war." Lord Welby's technical account may now be supplemented by reference to the recent book of Mr. Higgs, *The Financial System of the United Kingdom*, which for the first time enables the public at large to have an accurate idea of the system. The most striking thing about this invention of Bagehot is its simplicity, and simplicity was one of the characteristics of Bagehot's genius. Another contribution of an economic character, which is also mainly of interest on its personal side, is the history of Stuckey's Bank (p. 50–57), the bank with which Bagehot and his father were so long connected. This is an excellent example of the development of a private bank and its amalgamation with others to form a joint stock bank. Its notes had the largest circulation next to the Bank of England outside London, and it is on record that Stuckey's notes were sometimes preferred to those of the Bank of England. The moral of both of these instances is that Bagehot had a first-hand knowledge both of high finance and of practical banking.

The present biography is not mainly economic for two reasons. The first is that Bagehot in all he wrote was so eminently clear that his contributions to economic science have long since become part and parcel of the ordinary stock of knowledge. In the *Postulates of English Political Economy* we find, for example, that Political Economy, dealing with matters of "business," assumes that man is actuated only by motives of business. We find also that the words used in economics must be interpreted by the context, and definitions must be construed according to the interpretation clause given by the context. Dr. Marshall, who wrote a preface to the edition of the *Postulates* of 1885, with the view of commending the work to students, has made these ideas familiar in his own *Principles*. The fact remains that little new in economics is to be gleaned from the present *Life*, partly because the harvest of Bagehot's sowing had long since been reaped and gleaned. But another and more vital reason is that after all Bagehot was not only or mainly an economist, though no doubt through his wider interests he was all the better as an economist.

One or two references may be given in support of the contention that Bagehot was only partly, and not even mainly, an economist. Sir Robert Giffen wrote of him: "So far from becoming absorbed in economic science as he grew older, though his later writings happened to be almost all economic, Bagehot to the last gave me the impression of only passing through one mental stage, which, being passed through, he would again leave political economy behind" (p. 7). Mr. Hutton, in his *Memoir* (quoted p. 6), wrote: "I have felt somewhat unreasonably vexed that those who appreciated so well what I may almost call the smallest part of him, appeared to know so little of the essence of him. To those who heard of Bagehot only as an original political economist and a lucid political thinker, a curiously false image must be suggested." Commenting on these opinions, Mrs. Barrington writes in her introductory chapter: "I believe that before the end Walter Bagehot was reverting to earlier grooves of thought, and that had he lived he would have included in his future writings a class of subjects and impressions which characterised many of his earlier essays, in the days before life had become choked with business. He was getting impatient, I think, of having to devote his best energies to matters from which religion, poetry, and art were excluded." Giffen was for some years Bagehot's assistant editor on the *Economist*, Hutton (of *Spectator* fame) was his closest friend from youth up, and their testimony is confirmed in the fullest detail in the present biography. Not only were Bagehot's intellectual interests of a very wide range, but he was a man of very remarkable personality. He was of imagination all compact, but the force of his imagination was governed and illuminated by the sense of reality.

Bagehot himself was a great believer in the power of personality. In the three-volumed political economy which he had designed (of which the *Postulates* was a fragment of the first part) he proposed to devote one volume to lives of the great economists. This part of his work would have been of special value, not only because Bagehot had wonderful skill in the delineation of character, but also because this aspect of political economy, especially in recent years, has been so much neglected. A knowledge of the actual life and character of any one of the great economists would have saved many a reader and writer from a false interpretation of his works. In the present volume examples are given incidentally of this power of characterisation, and of the consequent exposure of popular fallacies. At the age of twenty, when a student at University College, London, Bagehot

and his intimate friend, Hutton, used to "fly about London" to any gathering where they had the chance of hearing Cobden speak. That was about 1846, the year of the repeal of the Corn Laws. About twenty years later Bagehot wrote in the *Economist* the character sketch of Cobden that is quoted by Mrs. Barrington (p. 379 sq.). Describing the personal effect of Cobden on the audiences he addressed in the agricultural districts, Bagehot says: "The people were much confused. They could not believe the Cobden they saw to be the Mr. Cobden that was in the papers. They saw a sensitive and almost slender man of shrinking nerve full of rural ideas, who proclaimed himself the son of a farmer, . . . who was most anxious to convince everyone of what he thought the truth, and who was almost more anxious not to offend anyone. . . . He excited a personal interest—he left what may be called a *sense* of himself among his professed enemies. They were surprised at finding that he was not what they thought; they were charmed to find that he was not what they had expected; they were fascinated to find what he was. The same feeling has been evident at his sudden death. Over political Belgravia—the last part of society Cobden ever cultivated—there was a sadness. Everyone felt that England had lost an *individuality* which it could never have again. . . . He was a *sensitive* agitator. He never spoke ill of anyone. He arraigned principles but not persons." There is also a sketch of Mr. Gladstone, written on the occasion of his great Budget speech of 1860 (p. 292 sq.). Gladstone had been much impressed by Bagehot's writings, and the year before this article he had sought his personal acquaintance. There was every reason, from the point of view of personal and journalistic influence, why Bagehot should have adopted the language of unadulterated eulogy. But he did nothing of the kind. On the contrary, never were the weaknesses of Gladstone's personality better portrayed. The sequel is noteworthy. "If Bagehot was courageous, Mr. Gladstone was generous in view of this outspoken criticism of himself. After receiving from my sister (Bagehot's widow) the volume of reprinted essays which contained it, he wrote: "Some of the articles are not new to me. I remember feeling, *and I still feel*, how true the article on myself is in *the parts least favourable to my vanity*. . . . Undoubtedly your husband was a man of most remarkable gifts and a not less excellent faculty for embodying the results in literary form" (p. 298).

Bagehot—the Man—as revealed in this biography, is the best explanation of Bagehot the writer. It was said that his genius

was not duly recognised during his lifetime. This is not true of the few who were competent to judge—*e.g.* in finance, Gladstone and Northcote; in literature, Lords Morley and Bryce—but it was true of the ordinary economist and the ordinary reader. One principal reason was Bagehot's modesty which pervaded all his life on all sides. He made light of his own achievements—he never posed—he was perfectly callous of undistinguishing praise. "This modest attitude which he took with regard to his writings, and the effect they produced on the public, was wont to be adopted by those who knew him intimately." Bagehot did not advertise himself—quite the contrary; and therefore even some of his intimates thought that perhaps there was not much to advertise—they took the man at his own apparent valuation, and did not allow for the personal error of his modesty. Another reason why to Bagehot was not assigned his true weight as a great writer on economics, is to be found in his greatest merits, namely, the extraordinary clearness and freshness of all his writings. They read as if they were the result of rapid improvisation—so easy, so intelligible, that they could have cost no real effort to produce—and so fresh that they seemed quite natural. Take *Lombard Street*, "a description of the London money market," the latest and perhaps the best example of his genius. Every fact in the book (except the history) was already well known to the bankers and the city men of the day, and since the history was true, that also was known, if not to business people, to the readers of the history of banking. Even his proposals for banking reforms were not absolutely novel—as he said in his first contribution to the *Economist* "in dealing with banking absolute novelty would scarcely be a recommendation"—and he did not propose to pull down the Bank of England and build a greater. Yet the book was, and is, as fresh as is the month of May. Freshness was so remarkable in Bagehot that one is tempted to look for the causes. How comes it after eighteen years of constant writing in the *Economist*—roughly two articles a week—that the bloom is not rubbed off? How comes it that when he died at the age of fifty-one his writing was fresher than ever? One reason, no doubt, was that, as he said of another, "his mind was a spring and not a cistern"; that is to say, he had natural genius, and not only the genius that comes from labour, though his labour was tremendous. But two other reasons may be advanced. First, Bagehot was always a living writer. He liked to exchange ideas with living people. "All the facts of life, all his feelings and ideas, were lit up with a keen apprehension of it, for though

he was a voracious reader he studied life through contact with life rather than from books. . . . Ideas he felt must be taken at first hand; they must be inspired by contact with living creatures, living interests, genuine sympathies, genuine feelings; not diluted with human thought, human prejudices, as they are prone to be when conveyed through books" (p. 5).

With Bagehot, theory was never allowed to get out of touch with business, and in mid-life his business was to be "a supplementary chancellor of the exchequer" (to both political parties), and the chronicler and the judge of the leading men and the leading events of his time. And Bagehot knew both the men and the events at first hand.

The second reason for his perennial freshness was that he had—again to use a term he applied to another—"an experiencing nature"—he had always a growing mind—a mind open to a great variety of experiences. "Live and let live" was his guide, not only in ordinary social arrangements, but in the conflict of ideas and modes of thought and kinds of learning. He was so fresh in his economic and political writings because he was so keenly interested in other things. This breadth of sympathies and this wide intellectual outlook is seen from the beginning. He was a precocious child and a precocious youth. Fortunately, however, he was born (1826) in the country and brought up with country tastes. His boyish letters are rather old-mannish—he was always in front of his years—but he could climb trees and ride, and, above all, he became absorbed in the natural beauties of his home in Somersetshire. Part of his mind—a large part—was always Wordsworthian, and one of the finest things he ever wrote—one of the best contrasts in literature—is his comparison of Wordsworth and Lord Jeffrey, the poet and the Edinburgh reviewer (p. 222–4). But even in poetry he was not a lover of Wordsworth only. It is told of him when a boy of thirteen that in a fit of depression he found solace in reading Shelley, for whom all his life he had the greatest enthusiasm. One of the best illustrations of Bagehot's love of poetry is given in the fact that on the occasion of his first severe illness, when he was at the height of his activity, he dictated to Mrs. Barrington his articles for the *Economist*, and in the intervals she read to him his favourite poetry.

In reading for his degree in London University he was recommended to take up both classics and mathematics, but eventually he turned to what was then called "intellectual and moral philo-

sophy (including political economy)," and in this branch he took the gold medal for the London M.A. He was a devourer of history of all kinds; he spoke French and German; he was called to the Bar, though he never practised and disliked what he thought the cramping effect of legal practice; he was much interested in the origins of civilisation as investigated by Maine and Lubbock; and in the words of Lord Bryce (p. 34) "*Physics and Politics* was forty years ago almost a voyage of discovery for most English readers." Lastly in this enumeration, which is far from complete, of the breadth of his qualities, Bagehot was always deeply religious, and, withal, one of the most cheerful and witty of mortals. By descent he was connected with both the Cavalier and the Puritan, with the country gentleman and the banker. The Cavalier came out in his unfailing courtesy, in the large sense of the courtesy of chivalry; the Puritan in his absolute regard for truth and the common moralities. Though one of the most practical of men in high finance and journalism, in private life "all was conscience and tender heart." It has been said that all men of genius derive their exceptional qualities from the mother. Bagehot's mother was a woman of great beauty and personal charm, and, as her letters show, of the most lively intelligence and broad sympathies—one of the good women of the great writers of history. Unfortunately, she was doomed at intervals to verify the fact that great wits are near allied to madness, and to the end of her long life these recurrences could not be avoided. At these times she received from her son the most loving and lovable consideration that can be imagined. He used all his genius to try to follow her in her irrational wanderings. A strange affliction, for at other times his mother was absolutely unaffected by her malady, and would even speak of it quite calmly. When she died, at the age of eighty-four, it was a great shock to Bagehot, and his grief was increased because he thought some people might think he would regard it as a release. It was the knowledge that at any time he might be called on to console his mother in her affliction that always shaped Bagehot's undertakings. He would do nothing and accept no post that would interfere with this first duty of his affections. Such a man was Walter Bagehot, the Ricardian economist. In reality he was much nearer Adam Smith, who wrote *inter alia* an essay on the affinities between Poetry, Dancing, and Music, and a Theory of Moral Sentiments that is very like Bagehot's.

A careful reading of this biography cannot fail to interest the

economist who can take broad views. Mrs. Barrington has done her work extremely well, though perhaps the book, as a book, would have been more effective if some parts had been compressed or omitted. But anyone who gets interested in the subject will not regret even this fault. What everyone will regret is that Bagehot's life was not extended so as to furnish his biographer with more materials. He died at the age of fifty-one.

J. SHIELD NICHOLSON

THE LAND REPORT: URBAN.

The Land: The Report of the Land Enquiry Committee, Vol. II., Urban. (London: Hodder & Stoughton. 1914. Pp. xxxi + 726. Price, paper, 1*s.* net; cloth, 2*s.* net.)

THE names of the Committee are given on the title page as follows:—A. H. Dyke Acland (Chairman), C. Roden Buxton (Hon. Secretary), E. Richard Cross, Ellis Davies, De Forest, E. G. Hemmerde, J. Ian Macpherson, B. Seebohm Rowntree, R. Winfrey, with J. St. G. Heath as Secretary, R. L. Reiss as Head Organiser of the Rural Enquiry, and H. E. Crawfurd as Head Organiser of the Urban Enquiry. Presumably they all agreed, with the exception of Baron de Forest, whose views are expressly said not to "coincide with those of the other members of the Committee." The rural and urban parts of the inquiry were apparently never intended to relate to the same things, as we are told that the Committee was appointed by "the Chancellor of the Exchequer" ("Mr. Lloyd George" would, I think, have been more accurate, the inquiry being unofficial) to obtain "an accurate and impartial account of the social and economic conditions in the rural parts of Great Britain," but of the "nature and working of the existing systems of ownership, tenancy, and taxation and rating of land and buildings in urban districts and the surrounding neighbourhoods, and their effect on industry and the conditions of life." The quaint title, *The Land*, gives the key to this curious arrangement: in the country "the land" is supposed to dominate everything, and therefore the Committee could be directed to inquire into everything, while in the towns it was allowed that there might be some evils which could not be ascribed to the laws of England and Scotland in relation to land.

But even so the "urban" part of the Committee's task is one of stupendous magnitude, and it would not have been surprising that the "urban" volume should have run, as it does, to over 700 pages, even if it had been well arranged and concise, which

it certainly is not. It is divided into four parts, "Housing," "Acquisition of Land," "Tenure," and "Rating." It would be natural to expect Tenure to come first in an account of the "nature and working of the existing systems of ownership, tenancy, &c."; the arrangement adopted is doubtless due to the fact that the "Tenure" part is the dullest of the four, and to the belief that an atmosphere unfavourable to existing systems could best be created by beginning with a lurid account of the bad house accommodation to which the less well-to-do people of the country have to submit.

The first chapter of this Part I. insists at great length on the fairly well-known facts that large numbers of persons are exceedingly ill-housed, and that this, like bad feeding and bad clothing, is bad for them and also, indirectly, for others. The second chapter asks why the legislation which has been passed on the subject has "not actually solved the housing problem" (p. 6, cp. p. 45), a phrase which shows a touching confidence in the efficacy of statute law such as seems to have prevailed in parts of the Middle Ages. After enumerating reasons which are numbered (*a*) to (*h*), the writers arrive suddenly at (*k*), "perhaps the most weighty of all the reasons why the Acts are not fully put into force," namely, "shortage of alternative accommodation." The housing problem, in fact, has not been solved because there are not enough good houses! Theoretical economists doubtless arrived at this conclusion a long time ago, without leaving their proverbial armchairs, but it will be gratifying to them to have their opinion confirmed by the more laborious methods of a political committee. Their satisfaction will be increased when the Committee proceed to remark, just like an economic text-book, "the poor go short of house-room just as they go short of other commodities" (p. 59). They might have added that as we are all more or less poor, we all go more or less short of house-room, but the want of house-room gets gradually greater and greater the poorer we are, till at last the poorest of all have to put up with a seat on the Embankment.

I can see no reason why a committee, however anxious to find something wrong with "The Land," should not have frankly accepted this explanation of the "shortage of houses," so far as the demand side of the question is concerned. Every value is dependent on supply as well as demand, and so the fact that people can get plenty of house-room, and good house-room too, if they can pay the price, in no way stands in the way of inquiry why the present price is what it is and how it may be lowered.

But the Committee at this point turn aside and spend a great many pages in a perfectly futile attempt to prove that there is an "unsatisfied demand for houses on the part of working-class households willing and able to pay an economic rent i.e., a rent representing a sufficient return upon the capital invested to make house-building remunerative, assuming the site to have been acquired or leased at the normal market value for the district" (p. 59).

An unsatisfied demand of persons willing to pay a remunerative price under ordinary conditions is always accompanied by an actual price in excess of a remunerative price, which excess encourages supply. If there is an unsatisfied demand for houses by persons who are able and willing to pay remunerative prices or rents, the actual prices or rents must be in excess of what is remunerative, and the reader consequently expects the Committee to proceed to endeavour to prove either that house-building or house-owning is more remunerative than other investments, or that land for building is sold or leased at more than the market value. But there is no hint of any such attempt. The Committee seem not to understand their own proposition, as they calmly proceed as follows immediately after the passage just quoted:—"If in any given locality there are working men regularly employed, or having a definite prospect of regular employment, who, with existing transit facilities, cannot obtain suitable houses near enough to their work to enable them to reach it without unreasonable cost or fatigue, at rentals within their income, then there is in that locality a genuine shortage of dwellings. Unless some such definition is agreed upon, discussions on the 'house famine' are apt to lead only to confusion and misunderstanding." It is truly amazing that eleven persons could make themselves responsible for an attempt to avoid confusion and misunderstanding by mixing up a shortage of houses, in the sense of houses not being forthcoming, *although people were able and willing to pay a remunerative price for them*, and a shortage of houses in the sense of houses not being forthcoming for all the people who would be glad to live in a particular locality "at rentals within their income."

Not an atom of evidence, or even of tittle-tattle, is brought forward to show that house-building or house-owning for the working classes or others is more remunerative than other businesses, nor that sites can only be obtained at more than "the normal market value for the district." All that is adduced is a large number of tiresome reports from various places to the effect that more houses of quite unspecified size and quality, and there-

fore of unspecified cost, could easily be let at various rents under *10s. a week. There is not even a bare allegation that it would* be even ordinarily remunerative to provide these houses. Some of the quotations from reports illustrate quite comically the capacity of the Committee to see that every silver lining has its dark cloud: "HARTLEPOOL (Population, 20,615; decrease, 9·3 per cent.)—The decrease in the population of the borough is largely due to the fact that the decent class of workmen demand, and rightly, clean, wholesome houses, and at present we are unable to supply their wants." In the absence of any statement that evictions and demolitions have taken place, anyone less determined to be miserable than the Committee would be inclined to think that a decrease of 9·3 per cent. in the population of a particular small area indicated improvement in housing conditions. In the same space nine persons are less overcrowded than ten.

"The population" is throughout a kind of fetish to the Committee. It is something which is to be accommodated in a particular locality at no matter what cost, the restraining influence of a want of houses being entirely removed by the organised force of the inhabitants of the whole national territory. There is to be a "permanent supply in every locality of enough suitable dwellings to meet the needs of *the population*"; authorities are to "see that adequate and sanitary housing accommodation is provided for the working-class population employed or reasonably likely to be permanently resident within their area" (p. 113). It apparently never occurs to the Committee that "the population" of an area is a thing which depends upon many different circumstances, among which is, and ought to be, the cost of housing it there. If the Committee could succeed in persuading the State or some misguided group of philanthropic millionaires to provide adequate accommodation for the working-class population employed, or reasonably likely to be permanently resident within the area, at "rentals within the income" of working-class people, I have no doubt that in fifty years or less they could increase the population of almost any small town with a railway station in the middle of England to a million. Certainly no one can doubt that the population of Liverpool, of Birmingham, and still more of London, would be immensely greater than it is if only somebody would provide adequate accommodation for the working classes at rentals within their incomes. The Committee are aware that "private enterprise has hitherto erected about 99 per cent. of the working-class houses in the country, providing

annually about 18 million pounds' worth of such houses" (p. 99). They have apparently never given a thought to the question why these houses have been erected in one place rather than another, to say nothing of the question how far the distribution has been a good one. They are content to propose measures which would destroy the existing control without putting anything in its place.

Fortunately, useful practical suggestions are often made by people whose fundamental position is quite unsound—indeed, if it were otherwise the world could scarcely carry on. But the Committee do not seem particularly successful in this. One of the causes of "the present acute shortage," we are told, is the Finance (1909-10) Act, 1910, though "it has been a much less important factor in checking the supply of houses than many of our informants quite conscientiously suppose" (p. 83). Another is the recent increase in the cost of building; and a third, very strangely, is "inability to secure higher rents." "While houses cost more to build, it is not possible to obtain an appreciably higher rent for them." The reader cannot help feeling that if the rents had been much higher, the Committee would have found that an irrefragable proof of acute shortage; but as rents are not much higher, that will do for a cause of shortage. Restrictive by-laws are mentioned, and local authorities blamed for them, though everyone with any experience of local government from the inside knows that the restrictive by-laws all came from Whitehall, though Whitehall is now anxious to shuffle off the responsibility. The effect of the boom in trade is curiously misunderstood. The Committee believe that a boom could only increase the demand for house-room in "industrial centres," as if they thought that a greater demand for houses can only come from an increase of population, and not also from an increase of means. To the suggestion that when people are better off they ask for and are ready to pay for larger and better accommodation, the Committee would doubtless reply that the working classes were not able to pay more because the rates of wages had not risen sufficiently to cover the rise in the prices of other and more necessary commodities. But this argument is based on the vulgar confusion between rates of wages and earnings. The boom did, in fact, by better employment and overtime, give the working classes incomes more than sufficiently increased to meet the increase of prices, and in any case if house rents did not rise as much as other prices, this would appear to indicate that houses were less acutely short than other things. Moreover, the Committee's sharp distinction between a demand for working-

class house-room by the working class and a demand for house-room by other classes is obviously quite untenable. There is no sharp line either between the classes or between the houses; the working classes are continually invading whole districts formerly occupied by non-working-class people, and even the reverse process is not unknown, as in Broadway (Worcs.) and Chelsea.

It is curious the Committee should have made no attempt to discover the actual remunerativeness of investment in working-class houses, since the probability is that it is really on the average somewhat above that obtainable on other home investments. Such houses are "undesirable property" to the well-to-do, respectable investor. He does not like exacting small payments from persons poorer than himself, and he fears the obloquy involved in being a "slum-owner." Thus the business of providing this want is left to a class of persons with a few hundred pounds each, who cannot own enough property in different localities to eliminate risk, and who therefore collectively get a higher return than would be necessary if the property were held by wealthier people. Some of them can no doubt give individual and intelligent attention to their property, and this tends to economy; but everyone knows that large quantities of this small property are constantly falling into the hands of incompetent widows and minors, with disastrous results in dilapidated and derelict houses. The situation would be much improved if there were more people to whom an additional quarter per cent. would be sufficient compensation for the odium of "slum-owning," or if this odium could be lessened by an improvement in public opinion, or escaped by come corporate organisation which would stand between the sensitive investor and his ill-informed critics. Alterations in the law doing away with the antiquated privileges of the landlord, and at the same time making it easier for him to get rid of bad tenants, would also help.

I have left myself no space to deal with the other parts of the Report. They are not so feeble as the Housing Part, but the reader will be tired by the repetition involved in saying everything once, and then saying it again in the form of "summary of conclusions and recommendations." Taking it altogether, it seems likely that the Land Committee will be classed by the historian of the future along with its model, the Tariff Commission. The orthodox Royal Commission seems to have little to fear from its unofficial competitors.

EDWIN CANNAN

REVIEWS

The Future of Work, and other Essays. By L. G. Chiozza Money. (London : T. Fisher Unwin, 1914. Pp. xvii + 302. Price 6*s*. net.)

MR. CHIOZZA MONEY combines in a rare degree the power of lucid and accurate handling of statistical material with a real boldness and breadth of constructive outlook. His latest exposition of his attitude towards the problems of poverty and work is therefore worthy of all attention.

His view, as expounded in the two first essays of this book, is broadly that the problem of poverty has already been potentially solved for us by physical science, but that its solution is frustrated in practice by the wastes and follies of our competitive system. With regard to the first proposition it may be suggested that Mr. Money never furnishes sufficient evidence for his optimism. He is inclined to neglect altogether, or at most to treat as a mere temporary backwash, two of the most significant economic facts of the present day—that filling up of the virgin soils of the world which is reflected in the almost continuous rise in recent years of the relative values of agricultural as compared with industrial products; and the gradual working-out of those capital resources of heat-energy stored up in the form of coal and oil which have alone rendered possible the astounding achievements of the last century and a half. Physical science has enabled us to exploit natural resources known to exist but hitherto inaccessible, and to live upon our capital of power: and we share Mr. Money's faith in its ultimate victory. But those who are most entitled to speak on its behalf are not at the moment among the most forward in guaranteeing its power to furnish unlimited plenty even to the most laborious and highly-organised society.

This criticism however, if valid, only lends force to the indictment of waste contained in Mr. Money's second proposition. From an analysis of the Census of Production he concludes that out of our whole population only $4\frac{1}{4}$ million adult males are

actually engaged in the work of material production, and that the sum of the net outputs of agriculture, mining and manufacturing amount to little more than half the whole national income. (It should be noted in passing that the statement that this means an income of only £25 per head gives a misleading impression, since if the value of transport, retailing, public services, &c., is to be omitted, their *cost* must also be omitted in estimating the purchasing-power of money.) Mr. Money is clearly right in emphasising the enormous waste of energy and resources in competitive advertisement and sale, and in the multiplication of middlemen and retail agencies. For the rest, we have his assurance that he is not guilty of any heresy about "productive" and "unproductive" labour; but it is surely rather sweeping to dismiss the whole population of the City of London, "from merchant to clerk, from shopkeeper to girl typist, from stockbroker to commission agent, from banker to office-boy, from lawyer to doorkeeper," as an army of parasites. Nor does he ever hint that it is only a relatively wealthy community that can afford to employ so large a proportion of its members in the provision of transport and amusement and education and public service.

As to the future, Mr. Money, like Mr. H. G. Wells, looks forward to a system of industrial conscription, under which no man will escape his share of manual work, and every man will be free to devote his ample leisure to intellectual pursuits, sport or idleness, according to his tastes. It would be useless to pretend that Mr. Money's picture of the Great State is entirely clear or convincing; but threatened as we are by the Collectivist Bureaucrats on one side and by Mr. Taylor and his profit-hunting management experts on another, we cannot but be grateful for the insistence upon the immense price paid for material progress in the loss of versatility and fullness of life, both among those who are condemned to, and those who are exempt from, manual toil. It is worth considering very carefully whether the excesses of militarism among the "cultured" classes which bid fair to wreck the world to-day, are not due largely to the fact that war is almost the only process which brings them into touch with those hard physical realities for which the most black-coated of us has an innate subconscious yearning.

But it is all surely a question of how far we are rich enough to forgo the manifest economic advantages of the division of labour. If Mr. Money is right in his assumption of the potentialities of unlimited plenty, the sooner we unspecialise ourselves the better: otherwise we must be content to wait a bit before we can

afford to substitute the enthusiastic amateur for the whole-timer, either in coal-mining or in business management and intellectual research. But that is no reason for delaying the extermination of parasites.

The remaining essays in the volume are of unequal interest and merit. There is an excellent and instructive account of the work accomplished under the Trade Boards Act, and vigorous polemics against Tariff Reform and the Single Tax. In his discussion of agricultural wages, Mr. Money adopts the rather perilous position that differences of efficiency are entirely an effect and not a cause of the differences of wages in different counties, which are due solely to differences in propinquity to coal-mines. With regard to the rising price-level, he regards the large volume of credit compared with gold money as sufficient proof that the influence of increased gold production has been relatively small, and does not consider how an increase of gold, by swelling bank reserves, may be expected to make its effect felt through the medium of a credit economy.

Mr. Money's argument is punctuated with rather childish attacks upon certain shadowy beings called "the economists of the chair," who appear to earn a discreditable livelihood by teaching, among other things, that capital is "unwasting and indestructible," and that the sole importance and value of land lie in its qualities of natural fertility." It would have been better if he had been at some pains to discuss what certain economic writers really do say about the nature of capital and land. In his essays on taxation, for instance, he does a real service in pointing out how small has been the increase in Government expenditure, whether for naval or social purposes, compared with the increase in the national income; but he never attempts to meet the real position either of those who advocate economy or of those who advocate differential treatment of incomes derived from land. Like most Socialists, he is so convinced that the State *could* undertake the functions of business organisation and the provision of saving, that he almost forgets that it does not, in fact, attempt to do so, and that until it does it must necessarily have regard to the effect of its actions on private enterprise. In particular this should not have been forgotten by one who takes such a gloomy view of the result of the export of capital as is indicated on p. 236 of this work.

D. H. ROBERTSON

Work and Wealth: A Human Valuation. By J. A. HOBSON. (London: The Macmillan Company. 1914. Pp. ix + 361. Price 8*s*. 6*d*. net.)

THIS book presents some views that are familiar to Mr. Hobson's readers, but he has also struck out some new lines of analysis, and has co-ordinated a great deal of sociological and partly economic reasoning in relation to the central idea of human values. It is an impressive piece of work, though the treatment is unequal, some chapters (especially in the first part of the book) aiming at a scientific treatment, while in others the author lets himself go on broader questions. One feels that it must have been a great relief to him to get the chapter on sport and culture off his chest. But the central idea is sustained throughout, though it hardly matures in definite proposals for a new method of distribution; and this is unfortunate, in view of the author's repeated attacks on certain imperfections which he imputes to current economic science.

Mr. Hobson's thesis is that the special study of economic problems, if it is to be socially serviceable, must be subject to some general standard of what is humanly desirable; even though this standard has to be vaguely conceived, as all standards of progress must be, as one of "human welfare," whose content will change with time. And what is specially required is that more prominence shall be given to methods of consumption than hitherto; since this field, of great importance in relation to utilities and wastes, is as yet unexplored or ill-explored. Further, a rather mechanical character has been given to economic studies by their purely monetary measures of values, a fact which disqualifies much current economic science for the work of *human* valuation. We must go back to Ruskin's idea, and value things in terms of life, or "organic welfare." Labour cannot be treated as a cost of production, like raw material; behind this monetary valuation lie many diverse aspects of human value.

We must get behind the market, and trace goods backward into their processes of production, and forward into processes of consumption; and see how much human cost, waste, and welfare are involved. What costs and utilities will be revealed on either side? what capacities to bear the costs or consume the utilities? what distribution of these costs and utilities in relation to such capacities?

The analysis of human costs, as regards the supply of both labour and capital, is of great interest, and perhaps the most

notable feature of the book. The supply of goods and services ranges from the work of the artist and inventor, where the natural pleasure of the work minimises the cost, to the routine forms of manual toil, where the human costs, material and spiritual, are high. Between these limits lie the directing work of management and ability, and the speculative work of the financier. For example, some degree of business risk is pleasurable; but some is forced, and involves strain. Even some routine is socially and individually good; but the routine of most manual labour has a high cost in fatigue, and the suppression of those aspirations which modern education is developing among the working classes.

These costs are variously distributed. There is the "unequal treatment of equals" in the irregularity of work: and the "equal treatment of unequals" in the work of women and children when placed under the same conditions as men.

Similarly with regard to capital. The saving and risk-taking which are behind the supply of capital vary in their human costs. Much saving, that of the very rich, is costless; of middle-class saving there is some that is of low cost, and indeed is only an "evening" of consumption over a time, while some implies a real present sacrifice, and the economic stimulus of interest; while working-class saving implies a high cost in its intrusion on the standard of comfort. It is all capital in the end; but behind its money value are all these differential facts.

When we turn to examine consumption of goods, in relation to utilities and the sum of welfare, we find that a large part of consumption—on war, sport, "culture," drink—positively wastes life; and there are many interesting features of social waste in more ordinary consumption, through the influence of class on class, by imitation and emulation of methods of spending.

Placing the two sides together, we find much costful production which goes in wasteful consumption; and have to think out the possibilities of adapting industry in such a way that the last useless units of consumption can be cut away, and release production from the last and most costful units of labour and fatigue. This opens out the whole theory of leisure, and of the working day; and Mr. Hobson develops the position from a number of points of view, holding that we can lessen the present "tyranny of industry over human life" without reducing, and indeed while positively increasing, the economic tendencies toward organic welfare, through lesser labour costs, higher human values realised in leisure, and lower disutilities in wasteful expenditure.

It is not so clear how the industrial reconstruction is to be

made, and Mr. Hobson admits that only a broad sketch can be given. In most recent schemes of reorganisation, such as Co-operation, Syndicalism, and local or national Socialism, he finds some degree of failure to harmonise the conflicting interests of the producer, the worker, and the consumer. But he holds that the forces making for harmony are increasing in strength over those making for strife. His definite suggestions are for a minimum wage, to cover the full costs of living that are fundamental to all human life; and to obtain this he would absorb in industry those non-productive surpluses which now do the double harm of withholding payment from labour, and making for wasteful expenditure elsewhere. For this purpose, he foresees a growing social control over those occupations where routine counts for much; and on this basis of general industry, State-controlled and paying a full living wage, he would construct the edifice of those forms of service where individual initiative counts for more, and over which the State cannot so fittingly exercise so direct a control. But this will not be done unless the community is alive to an ideal of the value of social welfare; and education must develop this sense of a social soul, a society having its own organic life and making its claims as a society on its members. To the content of the ideal at any time it is not for any fixed ethical theory to contribute, for the content will change with time; but an enlightened common sense, and a sharper social conscience, must be kept alive as the guardian of the interests of those other sides of life on whose field industry at present encroaches too much.

Mr. Hobson's argument is of even more value than his conclusions. It is the fullest reasoned plea for human values that has been contributed to social study for some time. But I do not think that such a plea need have been put forward as a protest against current economic science. The blow does not fall anywhere; such further analysis as Mr. Hobson provides of demand and supply, and his request for a fuller social conscience in raising the standards of wages and expenditure, are most obviously congruent with the expressed ideals of economic scientific literature. There are other points on which discussion might be raised; especially the author's views on surplus, and on the marginal theory of values, and on the alleged failure of economics to grasp the extent to which competitive conditions have passed away. He makes, I think, a special mistake in supposing that the last of these is due to mathematical influence; for it is monopoly which most easily lends itself to mathematical

treatment, and it was from monopoly that Cournot started his analysis. But these differences hardly affect one's obligation to Mr. Hobson for a book which is a great contribution to sociology, taking economics as its point of departure.

D. H. MACGREGOR

The Export of Capital. By C. K. HOBSON, M.A. (London: Constable & Co. 1914. Pp. xxvi+264. Price 7*s*. 6*d*. net.)

THIS thesis (approved for the London D.Sc.) is the result of Mr. Hobson's investigations while Shaw Research Student at the London School of Economics. It consists of three parts, theoretical, historical, and statistical, well knit together to make a consecutive whole. The author naturally finds little that is new to say on the purely theoretical causes that move capital, or as to the definitions of capital and exportation. Perhaps he does not lay enough stress on the facts that in general it is persons, not nations as a whole, who make investments, and that all that foreign trade statistics can show as to ownership of capital is that goods or gold have been received in this country or that, with the corollaries that owners of fluid capital have invested in some specified country and persons to whom interest is due have consumed it in the same or another. The statement put in this vague way reads very differently from the popular view that the citizens of the United Kingdom have invested in younger countries and are receiving interest therefrom. Mr. Hobson shows that he is quite aware of the multiplicity of the ways in which ownership of capital can be transferred, but he leaves the reader under the impression that he regards a nation as more than an accidental assemblage of persons who happen to spend their incomes in a particular territory. The need for greater explicitness is shown by the difficulties, which are boldly faced in this book, that arise from the ownership of shipping. If an Englishman has shares in an American shipping company that works in the Pacific, he is an owner of foreign capital; but how are we to distinguish foreign from other investment if Americans and English own jointly a fleet of Atlantic liners? Somewhat similar difficulties arise from the valuable and illuminating chapters on the history of international investments. How are we to know the residence of owners of capital? For instance, when we read (p. 155): "The flow of American securities back to America, during the decade following 1893, was a temporary phenomenon . . ." and many similar phrases in other places, we reflect that change of

ownership only affects the buyer and seller of stock and their brokers, and the officials of the company concerned, and in general is not a matter of public knowledge at all. Considerable changes may indeed attain notoriety, but unremarked minor transactions may in the long run outweigh the larger movements. A closer analysis of the nature of the evidence on which Chapters V. and VI. are based would have been of considerable value to future students. Apart from these criticisms, we may congratulate the author on having amassed a great deal of information from a variety of recondite sources, and on having so marshalled it that we have a readable consecutive outline of the main movements of capital, especially in the nineteenth century. If, as is to be expected, he has occasion to revise the work for a further edition, we hope that he will either expand or delete such sentences as "Excessive capital commitments in foreign countries and at home were followed by speculation in commodities. Rising prices produced an influx of goods . . . " (p. 103), where the generalisation is not justified by any evidence adduced, and the causation is not clear.

In Chapter VII. a bold and systematic effort is made to deduce from the statistics of imports and exports the annual amounts of exportation of capital. The breadth and completeness of the treatment are very pleasing, and the whole chapter is a model of lucidity. The results obtained show a close correspondence in dates and amounts between the movements suggested in the historical analysis and those deduced from the statistics of trade. Nevertheless, the statistical analysis is not altogether satisfactory. An enormous amount of guess-work enters into nearly all the terms in the equation, especially as to the amount and change of freights and commissions, and no attempt is made to show the effect that different hypotheses in the details would have on the final result. The general conclusions (that capital was exported specially in 1886–90, &c.), which appear to depend on and, by their reasonableness, to make plausible the estimates of freights, &c., in fact arise simply because most of the items are assumed to change gradually and continuously, so that the fluctuation of excess of imports is bound to be reflected faithfully (and inversely) in the fluctuations of export of capital, as a careful study of the diagram on p. 198 will prove. The apparent exception in 1912 is due to the inflated estimate for freights in that year; and it is unfortunate that this, which depends on very slight evidence, should become so conspicuous in a whole series of diagrams and tables. It would be a great advantage to students if Mr. Hobson

would re-work his whole calculation in some future time, after he has tested his factors and accumulated more data, and put the whole in a more critical and scientific form in a paper for the Statistical Society. It is quite natural that work of this kind should suffer when presented in book-form for non-specialist readers.

As to the total of foreign investments, the difficulty of estimate is shown by a comparison of the figures given on p. 162 and p. 207.

A. L. BOWLEY

Poverty and Waste. By HARTLEY WITHERS. (London: Smith Elder and Co. 1914. Pp. ix + 180.)

IN this book Mr. Hartley Withers attacks what he well describes as the "grey-whiskered fallacy" that expenditure on luxury gives employment, which, as he says, "is all the more dangerous because it is only half a fallacy and contains just enough truth to be deceptive" (p. 20). The proposition which it is his object to establish is that "the extravagance of the rich increases, perhaps causes, the poverty of the poor" (p. 101), and he has not much difficulty in showing that "if capital were more rapidly accumulated and more steadily devoted to the production of necessaries, wages would rise and necessaries would be cheaper" (*ibid.*).

The author shows himself fully alive to the weak points in the existing industrial system, but after an examination of the parts played in it by labour, capitalists, middlemen, and others, he comes to the conclusion that the consumer is "the villain of the piece." He successfully answers various rather obvious objections which might be raised against his view, but there are others which, as it seems to us, he has not satisfactorily met. The wasteful expenditure of the rich no doubt tends to perpetuate and to accentuate the bad distribution of wealth; but, on the other hand, it is the bad distribution of wealth which makes possible the wasteful expenditure of the rich. To induce people to use their wealth more wisely is, of course, all to the good; but a reform of this kind would not carry us very far, because it would leave untouched the root of the evil it desires to remedy. Is not Mr. Withers attempting to counteract the results rather than to remove the causes of a bad distribution of wealth? Again, is it so easy to counteract these results as he would have us believe? No doubt, if the rich as a body could be induced to forgo their luxuries and to invest in industries engaged in the

production of necessaries, wages would rise and necessaries would be cheaper, as he says. The author, of course, recognises that the thing cannot be done suddenly without causing great dislocation of industry and consequent hardship. It must be done gradually, he thinks. But can it be done gradually? Of course, if people would invest in extending and improving boot factories instead of buying fireworks, to take his own example, it would be a distinct gain. But how is the individual who spends a few pounds on fireworks to do this? Unless he happened to know of a boot factory which was raising new capital at the time, it is difficult to see how he could. Of course he might buy shares in a boot factory, but this would only mean that someone else sells them, and the question then turns on what the someone else does with the money. Mr. Withers writes with sympathy of the aims of Socialists, though he has grave doubts as to the practicability of collective action in many directions. But in the case under consideration it appears to us that individual action is not likely to bring about a far-reaching reform, and that only collective action can succeed. Is not the author suggesting an individualist remedy for a social wrong?

But we may be doing Mr. Withers an injustice, for he does say on p. 99 that he is "only trying to show what everyone can do, here and now, to chip away one or two bricks from the sordid edifice of poverty." He has certainly succeeded in this, but other parts of the book suggest that he is trying to show how at least a fairly wide breach in the walls could be made.

The book, besides its main thesis, contains a good deal of elementary economics—perhaps sometimes too elementary, but always clearly stated. There is too much repetition, and we are not sure whether a pamphlet would not have sufficed for the author's purpose.

H. SANDERSON FURNISS

The Economic Organisation of England. By PROFESSOR W. J. ASHLEY. (Longmans. 1914. Pp. viii + 213. Price 2*s*. 6*d*. net.)

ANY new book from Professor Ashley's pen is an important event, especially when he sets out to survey the whole field of English economic organisation, from manorial times to the present day. Although the book only claims to be "an outline history," and is embodied in the form of eight lectures, it is so amazingly suggestive and stimulating all through, that even the advanced

student will read it with avidity and visualise economic happenings in a clearer light.

Perhaps the most original chapter is the final one, entitled "Joint Stock and the Evolution of Capitalism." Professor Ashley here discusses recent developments, such as the English experience in co-operation, profit-sharing, the concentration of capital, and the tendency of businesses to control all the processes contributing to the final result, from the mining of coal and ore to the finished article, which he terms "integration." He lays special stress on the fact that over the whole of the industrial field there is now a movement away from unrestricted competition to some greater degree of stability, leading to the appearance of combinations, amalgamations, and agreements, national and international. He also adds: "I am convinced that to future generations the era of unrestricted competition, with its recurring crises, will seem like a malady of childhood. I view the combination movement with the more hope because I regard the regularisation of production as the best hope for the labouring classes, for whom steadiness of employment is far more important than the amount of remuneration" (p. 189). The combination of employers and their unity of action is also another of the recent features of capitalistic development which Professor Ashley regards optimistically.

But one would hardly realise from the book that there was any other side to English development than the social grouping of the various classes and their relation to one another. Thus we get no reference to the policy known as the Mercantile System; no reference to the astonishing commercial and colonial expansion of the seventeenth and eighteenth centuries. This seems the great defect of the book. "Tudor Nationalism" is grouped in the same chapter as "Domestic Industry," and presumably, according to the author, was only concerned with the poor law, apprentices, the checking of enclosures, and the fixing of wages, since nothing else is mentioned. But the Elizabethan policy was far wider in scope, and was concerned not merely with the regulation of industrial conditions, but with the stimulation of commercial expansion and the production of those things at home which should provide for the security of the realm.

The reason for this seeming onesidedness lies in the fact that Professor Ashley sets out to resolve a problem, viz., why large estates are the characteristic feature of England, while in Germany between two-thirds and three-quarters, and in France one-half of the land is owned by small proprietors (p. 2). He

therefore gives a description of the agrarian system of the manor, its break-up and the beginnings of modern farming, in which the most recent research on the question of copyholders and the enclosing movement is embodied. He gives an admirable summary of the effects of the Reformation on economic life. "The Reformation in religion, whether for good or for ill, was an expression of individualism; it emphasises the direct relation to God of the individual soul. But religious individualism was but a part or aspect of a universal tendency in the direction of freeing the individual from tradition and usage and stimulating him to think and act for himself. And this took shapes both good and bad; it showed itself in greater individual enterprise and improved methods of production, and it showed itself in more obvious selfishness and self-seeking; what contemporary writers call 'private affection,' 'private profit,' and 'singular lucre.' In all the economic relations of human beings with one another, it meant more of what we now call 'competition,' with all that it involves."

He follows Mr. Tawney in regarding the Reformation and the accompanying dissolution of the monasteries as a period when we get the marked commercialisation of English land. He seems to neglect the fact that the enormous changes in land-holding which resulted from the Civil War also brought about another stimulus to the commercialisation of land. The compoundings, sequestrations, and sales of land of recusants, royalists, and other "delinquents," which fill no less than five volumes of the Calendars of the State papers, resulted in a considerable amount of land being transferred from royalist and conservative landowners to up-to-date Puritans with capital. The considerably accelerated enclosure movement of the last quarter of the seventeenth century, and the accompanying consolidation of estates, is probably due in no small degree to this change of landowners. Professor Ashley, however, seems to ascribe the impetus to large estate formation to the growing trade of the eighteenth century, which enabled those who had made money by it to offer "prices in excess of the capital value of their properties as sources of income" to small holders. Once the members of this moneyed interest had secured land by purchase, they consolidated it and perpetuated the large estate by a system of entail which prevented dispersal. In connection with the resultant benefits of large farms to agricultural methods, he points out the difficulty of transporting food before the days of railways and steamships, and remarks: "The English population certainly went through hard times, but it was, at any rate, kept

alive and enabled to increase fifty per cent. between 1750 and 1800" (p. 136). He points out that both Tory landowners and Whig economists such as McCulloch agreed with the policy of large farms, though from different motives.

One of the most suggestive parts of the book is that describing the organisation of industry before the coming of machinery, and Professor Ashley clears up a good deal of confusion by emphasising the altogether exceptional position of the Yorkshire woollen trade. He makes a very interesting point when he tries to show that the capital for the new industrial revolution was supplied by the "abstinence" of non-conformists: "Pecuniary means acquired by assiduous application to business and the prudent choice of the gainful way naturally accumulated when there was no expenditure on amusements or interests outside the business, the family, and the religious 'connection.'"

The book is packed with these illuminating suggestions, only a few samples of which are here quoted. However much economic history anyone may know, he cannot read this book without feeling, in the end, that he has learnt more and acquired new points of view. It is quite the best of the smaller economic history books known to me at present. But one feels a little sorry for Professor Ashley's Hamburg audience if all this mass of information about a foreign country was administered to them in eight lectures in the course of a fortnight. It seems to be a summary of the work of a lifetime.

LILIAN KNOWLES

Le Chartisme. By EDOUARD DOLLÉANS. (Paris: H. Floury. 1912. 2 vols. Pp. 426 + 501.)

OF all the movements which stirred England in the nineteenth century Chartism is the best known and the least understood. The standard narrative of Mr. Gammage is overloaded with tiresome, closely-printed details of persons and speeches, and the author, being himself a Chartist, attains to no general view. M. Dolléans, in his two volumes, whilst sketching with native acumen the character of the Chartist leaders and drawing copiously on original sources, has at the same time succeeded in envisaging Chartism as a whole, and fixing its place among contemporary events. We leave his book with the feeling that it is destined to become the standard authority.

Amid a host of persons two stand out, William Lovett, the self-taught apostle of moral force—brave, honourable, and always

on the losing side—and Feargus O'Connor, the Lion of the North, with his huge frame and voice of thunder, a cowardly rogue, the people's idol, and always winning as long as Chartism itself was alive. Lovett fostered the Charter through infancy. O'Connor ruled the full-grown thing, and finally sacrificed it to his own mad scheme of joint-stock farming.

As a programme, Chartism was painfully exiguous. The familiar Six Points, formulated by Lovett in May, 1838, with the help of Francis Place, were preached in season and out of season for the next ten years. Petitions praying that the People's Charter might become the law of the land were submitted to Parliament amid ceremony and acclamation by the delegates of the People's Convention, and were ignominiously rejected by a disdainful House. Its few supporters within the House were ashamed of the motley violence without. Government let the Chartists talk, but when declamation deepened into threats of violence, into appeals to arms and a general strike, it struck heavily at the leaders, and by the end of 1839 it had most of them safely in prison. Sobered by gaol, Lovett and Collins emerged in 1840 with a tempered programme. Its title, as of old, was Chartism, but there is more in their booklet about education and temperance halls than about politics, even of the peaceful order. The attempt of the moderate Chartists to form an alliance with the middle-class followers of Joseph Sturge, the Quaker champion of an extended suffrage, broke down in 1842, and Lovett ceased to take an active part in the movement. O'Connor, on the other hand, profited alike from the failures and successes of Chartism. When they declared for a general strike, he claimed the credit of diverting it to a three-day holiday. When the moderates were in prison, he, the man of force, was at large. When John Frost in 1839 raised the standard of revolt in Monmouthshire, the North hung back, owing to O'Connor's treachery, and when Frost was in the clutches of the law, O'Connor gained glory by promising to defend with his voice and his money the cause of the man he had just betrayed. One after another his rivals were discredited in the *Northern Star*—Lovett, Collins, O'Brien, Cooper, and every other who turned against the Irish bully; and finally, in 1848, when the Continental revolutions galvanised Chartism into a final spasm, O'Connor had the distinction of abetting the call to violence and assisting the police in disbanding the Chartists assembled in their thousands on Kennington Common. On August 5th, 1844, the Lion of the North crossed

swords with Cobden at Northampton, and was easily vanquished in argument; but he lost nothing by his defeat, because it suited him just then to come over to the winning cause of the Anti-Corn Law League. During this time he was an ex-member of Parliament and in control of the only working-class newspaper which had a big circulation. The inner history of Chartism defies record, for the reason that the primary authority, the *Northern Star*, is a tissue of lies. In one thing only was O'Connor consistent, and on this he foundered. From 1842 he cared for nothing but his Land Scheme. The idea was borrowed from Owen, and the financial collapse which overtook the Owenite communities was witnessed again at O'Connorville. In 1852 this supreme demagogue was confined in a madhouse, and three years later he died.

Thus viewed at close quarters Chartism is a series of dismal and disreputable episodes. But Carlyle, in his Essay on Chartism, grasped its wider meaning. "What," he cries, "is the meaning of the 'Five Points' [one of the points, equal electoral districts, had disappeared from the list] if we will understand them? What are all popular commotions and maddest bellowings, from Peterloo to the Place de Grève itself? . . . To the ear of wisdom they are inarticulate prayers; guide me, govern me! I am mad and miserable and cannot guide myself." And again: "Chartism is one of the most natural phenomena in England. Not that Chartism now exists should provoke wonder; but that the invited hungry people should have sat eight years at such a table of the Barmecide, patiently expecting somewhat from the name of a Reforming Ministry and not till after eight years have grown hopeless, this is the respectable side of the wonder." This was written in 1839. M. Dolléans has traced, with great insight, the spreading of the seeds of economic discontent over the field of politics. In the 'twenties there was distress, but the remedy was sought along economic lines. The Government reformed its tariff, aided emigration, and distributed doles of relief in the manufacturing districts. The people, led by Owen, looked for salvation in Co-operation, Trade Associations, Equitable Labour Exchanges, and Land Communities. Then came the Reform Bill, which diverted the nation to politics. Disillusioned by the results of the Reform Bill, the democracy pressed for yet more radical reform. The new poor law and the factory system were associated in the people's mind with the political triumphs of the *bourgeoisie*. But while industry was prosperous, politics were conducted with peace. When depression reappeared after

1836, the storm broke. The rage of the populace caught up with the rage which Chartists and Anti-Corn Law Leaguers were preaching from their platforms, and the leaders of these in 1842 stood helpless before the tumult which they had desired but had not caused.

The Owenites in the 'twenties had real successes. Their co-operative societies were the forerunners of the solid achievements of Rochdale, and out of the burning idealism of the day there emerged a lively body of theory. The Early English Socialists, with one finger on Owenism and another on their great Right, the Right to the whole produce of labour, riddled the position of the classical economists and laughed to scorn many of their bogies. But Chartism has no such successes to show. To-day, indeed, after the lapse of decades, several of their points have been won, and others are in sight of attainment, but the victory is not the victory of the men who worked for the People's Charter. Nor did they evolve any political theory worthy of being ranked with the economic theory of early Socialism. When they talked politics they were monotonous and naïve. They extolled Poland or America, and denounced the extravagance of the British Government. Their theory was a restatement of the economic criticisms already made in the 'twenties, and, with characteristic blindness, they clung most tenaciously to the feeblest part of that theory, the mad intrusions into currency and finance.

It is a pity that M. Dolléans' work is disfigured by misspellings of English words, *e.g.*, "phasis" for phases (I., 106), "dwt." for cwt. (I., 175), "Crawfort" for Crawford (II., 94), "Mrs." Sturge and Crawford for Messrs. S. and C. (II., 102), "Bradshow" for Bradshaw (II., 189), "Cluchester" for Chichester (II., 457), "Wighs" for Whigs, and so on. Finally, in a quotation of half-a-dozen lines from Lord Chesterfield (I., 195) there are three absurd errors. We may hope that in the years to come the Allies' printers will know the other's language better.

C. R. FAY

Der Marschall Vauban und die Volkswirthschaftslehre des Absolutismus: eine Kritik des Merkantilsystems. By DR. FRITZ KARL MANN. (Munich: Duncker und Humblot. 1914. Pp. xvi. + 526. 12 marks.)

VAUBAN'S work—like that of many of his contemporaries—suffers from the incomplete generalisations which are almost in-

evitable in histories of Political Economy. His name is usually associated with the project of the "Dixme Royale" without reference to his general position and the tendency of his views on economic phenomena as a whole. Therefore, Dr. Mann has done well in selecting Vauban's life and work as the subject of a monograph which is designed to give prominence to the economic aspects of both.

In many respects one is surprised to find how "modern" Vauban was. Thus he wrote in favour of a scheme for the constituting of a Chamber of Commerce (p. 128). His method was "geometrical"[1] (pp. 98, 195), though this is to be interpreted rather in Spinoza's sense than in that of the mathematical economist. Again, in connection with his statistical inquiries, it is interesting to notice that he predicted that the population of Canada (which was 13,000 to 14,000 in 1701), would be 6,400,000 in 1910 (p. 59); and one wonders how far events will fulfil or falsify his further prediction of 25 millions in 1970. Then, too, he had a conception that commerce should be free ("laisser le commerce libre," p. 132), but it is rightly pointed out in what respects this idea differed from that of Free Trade. Vauban also insisted that there were natural or geographical limits to the expansion of a State—a view which was natural to an expert in fortification. Within such limits commerce should be rendered as free as possible by the removal of all impediments to the exchange of goods. Thus he had a series of schemes for the overcoming of difficulties of transport by the construction of a system of canals (p. 131); while he also contended that artificial impediments, whether through local duties or monopolies, should be removed. Dr. Mann thinks that he stopped at this point, and did not extend his conception to freedom of commerce in external trade; but since many of the French monopolies were concerned with the latter, it is difficult to see how Vauban avoided this extension of his principles. An interesting section of the book quotes other similar but earlier views, such as those of Lacroix (1623) in France and Misselden, Malynes, and the East India interlopers in England. Regarding the "open trade," which is quoted from a pamphlet of 1701, this phrase was in common use very much earlier, and, as regards India, the thing itself was in active operation in the time of Cromwell. Even more significant were the expressions of James I. and of Sir Edwin Sandys (1604), both of which related expressly to external trade. No doubt the impurity

[1] One of his unpublished works is entitled *Projet pour l'établissement d'une taille réelle géométrique.*

of the motives in each case—those of James I. being designed to attain an entrance of Scotsmen to the English market, and those of Sandys to form a new tobacco monopoly—account for the set-back which this early phase of the movement sustained.

The great preoccupation of French writers in the closing years of the seventeenth and the earlier part of the eighteenth century was with the state of the finances, the growing deficits having become burdensome, while the existing methods of taxation were most oppressive (p. 153). Dr. Mann traces the gradual growth of the system of taxation which Vauban recommends, and follows out its developments after Vauban's death. The importance of that method was its revolt against Colbertism and its attempt to establish a system of taxes as a homogeneous unity (pp. 197, 227).

No doubt the main interest of this monograph to English readers will be found in the attempt to assign Vauban his proper place in the history of the development of economic theory, more particularly since the discussion of this topic involves several interesting chapters on the idea of mercantilism. No doubt Dr. Mann would wish that Adam Smith had never invented the name nor had written about the treatises on commerce of the seventeenth and eighteenth centuries. Naturally, there is much criticism of Adam Smith's account of the early writers, and it is maintained that the conception of a mercantile *system* was the invention of Adam Smith, who was responsible for the element of systematisation (p. 317). In the end, Dr. Mann reaches what he calls a sceptical, nihilistic conclusion regarding mercantilism, namely, that this way of describing economic tendencies means no more than the chronological summary of the views which prevailed amongst European statesmen from the sixteenth to the latter part of the eighteenth century (p. 506). No doubt it is true that there are serious objections to Adam Smith's definition of mercantilism; in fact, it is not difficult to select almost any prominent mercantilist and to show from his writings that he did not accept what Adam Smith dogmatically asserts all mercantilists held without equivocation. Still, we require some way of indicating the general trend of opinion amongst the writers who treated of economic phenomena before the physiocrats. The prevalent error—which is, no doubt, largely due to Adam Smith—is to consider these authors as opposed to the physiocrats. But the development of opinion does not proceed by set antitheses expressed with the precision of an epigram. Rather there is a gradual growth of opinion moving, like a tide, with successive waves. As Schmoller

has shown, the organising of nationalities, which was so characteristic of the beginnings of the modern era, resulted in what is variously described as the earlier or cruder form of mercantilism, with its reliance on State-regulation, its penchant for the precious metals, a favourable trade balance, the encouragement of manufactures and of a numerous population. Undoubtedly Adam Smith wronged this point of view by describing it as that of the mercantile mind; it was, on the contrary, a necessary consequence of practical statesmanship when applied to the problems of the sixteenth and the early part of the seventeenth centuries, in view of the current political science of the period. But it was necessarily conditioned by the ideas of the time. As naturalism began to emerge, it was inevitable that this new outlook should influence statesmen and writers on commerce. Thus, towards the end of the seventeenth century one notes a reaction against what was of human institution and a leaning to what was believed to be a natural order—a tendency which reaches its extreme development in the physiocrats. Thus, for instance, Vauban writes of the *natural* limits of States, and one of his contemporaries contended that the main objection to Colbertism was that "it forced Nature." The same tendency shows itself in Petty, Dudley North, and other English writers; so that, in fact, later or "liberal" mercantilism constitutes a transition to the naturalism of the physiocrats. Indeed, it seems that a time has come when the name "mercantilism" should be discarded altogether. On the analogy of the "pre-Socratic" writers in the history of philosophy, we might term all those before the physiocrats (or who, while contemporary with, or even later than, the physiocrats, expressed the earlier type of opinions), pre-physiocrats, dividing them into groups according to any principle of classification which was found convenient.

W. R. Scott

A Select Bibliography for the Study, Sources, and Literature of English Mediæval Economic History. Compiled by a Seminar of the London School of Economics, under the Supervision of Hubert Hall, F.S.A., Reader in Palæography and Economic History in the University of London. (London: P. S. King & Son. 1914. Pp. xiv + 350.)

Economic history is indeed entering into its own, when the mediæval English portion of it alone comes to be served by a substantial and elaborate guide to its literature and sources, and when every other part of the historical field, political, ecclesiastical.

constitutional, is frankly regarded as contributory, and in that sense as even subsidiary, to economic considerations. Many an "original investigator" will have reason to be grateful to Mr. Hall and his band of graduate students, and not economic historians alone; for the width of its range, which is practically identical with that of English mediæval history in general, will make this book useful far outside the specifically economic radius.

The proof of such a pudding is emphatically in the eating; it is only after trying to use the book for particular purposes that its merits can be properly estimated. My anticipation is that Divisions II. and III. of Part I., giving a list of inventories of records in this and other countries, and Part II., classifying the records themselves, will be found of solid value. Here, indeed, Mr. Hall, as one of the most experienced officials of our own Public Record Office, is on his own ground; and much of what he now gives us is not, I believe, to be found elsewhere in print, at any rate in an easily accessible form. The general account of the location of Continental archives (pp. 145–155) will also save the young researcher a world of trouble. It is when we come to Part III., devoted to Modern Works, that one occasionally feels a little doubt. Criticisms on the score of incompleteness are, it is true, somewhat disarmed by the modesty of the preface. We are warned, for instance, that the selection of Continental literature "is not exhaustive and is even arbitrary" (p. vi). I have gone round my own shelves with the book in my hand, and from the test, such as it was, it came out very well. Almost all the important books are given in it; the only very noticeable omissions were Hüllmann's *Städtewesen*, Luchaire's *Manuel*, Viollet's *Institutions*, Bücher's *Frankfurt*, and Hildebrand's *Recht und Sitte*. I was glad to see Roscher's *Finanzwissenschaft* inserted: there is a great collection of historical evidence in all his books, and the historical specialist will be the better sometimes for being confronted with one of his generalisations, even if it should turn out to be ill-founded. But the same reasons might well have suggested the insertion of his other volumes, those on *Ackerbau* and on *Handel und Gewerbfleiss*. And it must be confessed that the section on *Fairs and Markets* is a little meagre; Sohm's *Städtewesen* and half a dozen of the monographs suggested by it would have been quite in place. On the other hand, on turning over the pages of the bibliography one finds scores of references to articles on particular points appearing in specialist journals which will be very helpful. One cannot but conjecture that many Continental scholars have very properly sent prints of their articles

to Mr. Hall or to the London School of Economics, and that the outside world is now to reap the benefit of their care.

What a little troubles me—let me make a clean breast of it—is the curiously large number of slips in the entries as to my own publications. A collection of reviews and other articles I once made appears correctly in the lists, but elsewhere it is twice called by a name which describes its contents well enough, but does not happen to be its title. An early essay on the woollen industry appears in the book and index twice, the first time incorrectly. The dates of another book are given twice and differently. All these matters are trivial, and will do no serious harm. But I cannot help wondering whether, for my sins, a special curse has fallen upon me, or whether, if I carefully looked up the entries concerning my friends, I should find a similar proportion of little blunders. My leader, Archdeacon Cunningham, does not escape scot free. His *Industry and Commerce* appears twice, once as published in 1910 (which, I think, is wrong), and a second time as having Vol. I. published in 1905. Considering what the study of economic history owes to his labours, it would have been very suitable to have drawn up a complete list of the editions of his great work, starting with the small book of 1882, and going on to the various editions of the mediæval volume of his larger book, beginning with 1890, and noting the varying contents of the useful appendices. There is no place, for instance, where the treatise of Oresme on Money (which, by the way, does not appear in this bibliography at all) can be so conveniently studied as in the appendix to Dr. Cunningham's first or second edition. The fact is that it takes not only a good deal of intelligence, but also a good deal of knowledge to construct a satisfactory bibliography—such, for instance, as the late Professor Gross's exemplary volume; and these qualities are more conspicuous in the sections of this book which show the mark of Mr. Hall's own hand than in those which he benevolently entrusted to his students. But, when all is said, the merits of this bibliography are very great, and its defects will only occasion a good humoured smile occasionally.

W. J. ASHLEY

Statistical Averages: A Methodological Study. By DR. FRANZ ŽIŽEK. Authorised translation with additional notes and references by Warren Milton Persons. (New York: Henry Holt & Co. 1913. Pp. ix + 392. Price $2.50.)

THIS translation of Dr. Žižek's *Die Statistischen Mittelwerte*, published in 1908, was undertaken by Professor Persons, because

that volume seemed to him to meet the requirements of a non-mathematical text-book on statistics better than any work available in English. Some additional footnotes (supplementing or in some cases criticising the text, and giving additional references to work of interest to the American student) have been added by the translator, and the bibliography has been extended, but otherwise no alteration or rearrangement of the matter appears to have been made.

To describe briefly the contents of the book, Part I. is entitled Statistical Averages in General. The author classifies statistical series under three heads: series of observations upon individuals or units which are treated as similar; series the members of which are statistical aggregates, forming together an aggregate of higher order; and series the members of which are not absolute but relative numbers, *i.e.*, ratios. This classification is the basis of all the subsequent treatment. The principal forms of average are, very briefly, verbally defined, and Dr. Žižek then proceeds to a discussion of what he terms "isolated averages" (such as the average wage found by dividing the wages-bill by the number of employees) and averages based upon series of items, and then to a very detailed treatment of the question of homogeneity. The nature and purpose of averages is the subject of the concluding chapter of the first Part. Part II. deals with the various kinds of averages, and almost inevitably largely overlaps Part I. The several chapters are devoted to the arithmetic mean, the geometric mean, the median and the mode. Finally, in Part III., dispersion is considered, under the headings of the three different types of series as defined above. Correlation and allied subjects are only very briefly treated in an Appendix.

The most striking characteristic of the book is the nature of the treatment. This is not merely non-mathematical, but practically non-numerical; there is an almost entire lack of statistical tables and worked-out examples to illustrate the text. The translator himself comments on this as "the chief defect," but remarks that "this defect can be turned to advantage in class-room use by requiring the students to secure such matter and present it." Surely this is not a high recommendation? It seems to the reviewer that the defect is a serious one, and a very great improvement could have been effected by incorporating such matter and by adding graphical illustrations. Room might well have been made for it by some excision and compression of the text, which at present extends to quite needless and wearisome

length, and by some rearrangement to avoid the excessive repetition.

The translation is in some cases a little obscure and would be the better for revision. On p. 21, for example, *Verhältnisse* would seem to mean "ratios" rather than "relations," and p. 179 the translation of *Masse* by "quantity" instead of "aggregate" almost makes nonsense of the text. Judging from a remark on p. 161, neither author nor translator were apparently aware of the free use in English vital statistics of the factor method of correcting death-rates. The statements that "when an average is computed from time series, the maximum and minimum are often disregarded" (p. 73), that "the measure of fluctuation usually taken is the arithmetic mean of the deviations from the arithmetic mean of the series" (p. 264), and that the "probable deviation" is rarely used (p. 265) are not in accordance with the experience of the present reviewer, nor is it in accordance with present belief that homogeneous asymmetrical distributions, in biology and anthropology, indicate an evolution (p. 269).

The volume offers a wealth of references to foreign literature and methods, and this should be of service to the student.

G. U. YULE

The Ownership, Tenure and Taxation of Land. By THE RT. HON. SIR THOMAS WHITTAKER, P.C., M.P. (London: Macmillan and Co. 1914. Pp. xxx + 574.)

As the author tells us in his preface, this is not a work of original research. Sir Thomas Whittaker's method is to collate the views of experts and to present them in a readable form to the plain man. His industry is prodigious; he acknowledges a special debt to the works of something like thirty authors, and the number of books to which he refers must run well into three figures.

Despite its long and varied list of authorities, however, the book is not and does not pretend to be an impartial summary of the expert evidence. It is avowedly polemical. It seems, indeed, to have been inspired by a rankling indignation against the followers of Henry George. Some evils are admitted and a few moderate reforms recommended, but the thread which runs through the book and binds it together is the defence of the landlord against the onslaught of the Single Taxer. This adds entertainment and interest to what might otherwise have been a dull catalogue of facts and opinions; but it also detracts from the

value of the book as a work of reference. Authorities whose verdict is hostile to the landlord are not always given the prominence which they deserve. Thus, in the chapters which deal with the enclosures there is no mention whatever of the work of Mr. and Mrs. Hammond—one of the most valuable contributions to the subject which has been made in recent years. Sometimes, too, Sir Thomas Whittaker's desire to make out his case leads him to draw conclusions too hastily; to put on his facts a construction which they cannot bear. It is misleading, for example, to explain the discrepancy between the rise in food prices and the rise in wages since 1896 by the remark that "as wages do not fully rise with prices in booming times, so they do not fall with them in bad times, and consequently if working-men do not appear to be getting the full advantage of good times, they have not to bear the brunt of bad times." The period since 1896 covers—and Sir Thomas's own figures show that it covers—a depression, as well as a boom. In the depression immediately preceding 1896 (1891–6), food prices fell more than ten times as fast as wages. In the depression after 1896 (1900–5), food prices did not fall at all, while wages fell faster than before. In the boom period from 1886–1891, wages rose at almost exactly the same rate as food prices; in the boom after 1896 (1906–12), food prices rose three times as fast as wages. It is this contrast that is held by some people to indicate that working-men have not of late years been sharing in material progress to the same extent as they did in the closing years of last century. To dismiss it with a platitude about the general tendency of wages to lag behind prices in boom periods is to evade their argument, not to answer it. Similarly, in his chapter on the incidence of rates, the distinction between a rate on site value and a rate on improvements is not explained. Sir Thomas Whittaker accepts the conclusion of economists that rates on the composite hereditament fall partly on the occupier. He does not point out what is the main ground for this belief; that a rate on composite value restricts the supply of new improvements. Indeed, his anxiety not to yield an inch to his opponents has led him in one passage (p. 454) perilously near to saying that a tax on improvements has no effect upon their supply.

Preoccupation with the single tax campaign is responsible for another striking defect in his book. Much space is wasted on issues which are of little practical importance. It was hardly worth while to refute so elaborately the doctrine that nobody but the landlord gains from an increase in the national wealth. Only the most

devoted disciples of Henry George believe it, and they are few in number and carry little weight with the public. Here and elsewhere one gets the impression that Sir Thomas Whittaker is flogging a dead horse. His disquisitions, too, upon the origin of private property in land and the history of taxation have little bearing on present problems. They are designed—as, indeed, is the whole book—as a corrective to the wild statements that are often made from anti-landlord platforms. As such they are effective, and will prove of value to those who defend the present system. But they are as irrelevant as the statements which they rebut.

There is, however, a great deal of relevant information in the book. Thrown into the scales against the exaggerations of less cautious reformers it will help the reader, who has not time for independent research, to hold the balance evenly between the landlord and his enemies, and to think straight on questions which are rapidly becoming the dominant issues in party politics.

G. F. SHOVE.

An Introduction to Economics for Indian Students. By W. H. MORELAND, C.S.I., C.I.E. (London: Macmillan and Co. 1913. Pp. xix + 343.)

THIS is a creditable attempt at a straightforward account of the broad elementary principles of economics, with useful illustrations from Indian experience. The amount of ground covered is not very great for the number of pages; and when it is remembered that the book is intended for readers for whom English is not their native tongue, and many of whom must on that account alone plod through its arguments very slowly, doubts arise as to whether a greater amount of condensation would not have been of advantage. How far to condense introductory text-books is always a difficult problem, but it would seem that the dangers arising from hasty reading and the overlooking of qualifying clauses—perhaps the chief drawbacks to most attempts at giving very brief statements of theory to elementary students—are considerably less when the student has to translate phrase by phrase from the author's language to the language in which he himself carries on his reasoning and revises his conceptions. Unquestionably it should prove a useful volume for teachers of economics in India, suggesting ways of bringing out differences between Indian conditions and the ordinary social assumptions underlying the text-books to which English students are accustomed. The author

makes no use of diagrams; though, on *a priori* grounds, one might have expected that the use of this cosmopolitan language as supplementary to the reasoning in English would have been especially advantageous for many of his readers. The chief value of the book perhaps lies in the chapters on Rent, Wages, Interest, and Earnings of Management, in which the author brings out methodically the outstanding forms of economic friction that prevent the easy application of orthodox principles to Indian conditions. In his chapters on Interest it is regrettable that no attempts are made to get below the surface even far enough to bring out the relation between the representatives of capital (bankers' "money") and concrete capital apparatus; and such statements as this—"capital can be moved from place to place more easily and more quickly than wheat"—seem likely to prove misleading to students whose bias is perhaps especially strong in the direction of confusing money with wealth.

L. ALSTON

Corporate Promotions and Reorganisations. By A. S. DEWING, PH.D. (Harvard University Press. 1914. Pp. 615. Price 10*s.* 6*d.* net.)

THE striking feature of this volume lies in its immense amount of information and detail relating to the "trust movement" in the United States. The author is to be congratulated upon his pertinacity in bringing together such a mass of information of a most complex character in a clear and systematic volume.

Mr. Dewing has surveyed in detail the life-histories of a group of American trusts selected to illustrate those which have passed through a complex cycle of promotion, failure, and re-organisation, in order to bring out the actual powers of the "trusts" as aggregates of capital fundamentally dependent upon the general conditions of their respective industries and of business efficiency. The conditions of promotion, causes of failure, those necessitating and determining the success of trust "reorganisation" are kept in view in particular. Some fifteen American combinations are thus considered, each representative of a particular branch of industry. Thus are taken in turn the consolidations of firms producing leather, starch, glucose, cordage, electrical apparatus, salt, bicycles, malt, cotton yarn, cotton duck, asphalt, glue; of building construction, realty, and shipbuilding. In each case the general conditions of the particular industry and their bearing upon the possible efficiency of a trust are first outlined

carefully; then the causes and methods of trust promotion are minutely indicated in the particular cases, and the conditions, personal, economic, financial, and business, which produce failure, are analysed and surveyed. In each particular case, too, the methods of reorganisation adopted and the consequent position are considered in detail. Throughout the volume official documents invaluable to the student of business organisation and industrial combination are reproduced.

In the latter portion of the volume the author carefully surveys the general character of the periods and methods of promoting "trusts," the degree of control obtained, the profits, anticipations, and results, capitalisation and the management of securities. The section which co-ordinates the data relative to these points and outlines the causes of failure of particular trusts (as the diffusion of responsibility and organisation, lack of loyalty on the part of officials, of any personal ties between the trust and their employees and customers, the prejudice of traders and the public, weakness of finance and organisation &c.) is extremely suggestive. The last chapter deals with the general problems of corporate reorganisation, the expedients designed to bring temporary and permanent relief, their relations to employees, bondholders, banking and merchant creditors, and stockholders.

Throughout, the great influence of legal conditions upon the trust movement in U.S.A. is closely indicated. The volume indicates the right direction for study of the trust problem, now that the general position has been made clear, viz., the detailed study of the position, powers, and life-history of specific consolidations selected from particular industries. Only thus can we properly gauge the monopolistic tendencies involved in the "trust movement." The author rightly emphasises the powerlessness of mere aggregates of capital to hold monopoly for long, unless they are efficient business units with a strong human element of ability, loyalty, goodwill, and a strong backing of monopolistic advantages. Otherwise internal financial difficulties, and newly arising competition assuredly undermine their fabric. The author confirms the prediction that the trust (apart from monopolistic advantages not to be reproduced) is essentially as dependent upon its efficiency as an instrument of production and distribution as is the small private firm. Hence the author hazards the belief that the trust problem will work out its own solution. From this point of view we should like to have seen the author consider the position of specific consolidations that have acquired and have *held* a strong degree of monopoly power. It would probably confirm by a negative

method the conclusions arrived at by the positive treatment contained in this most valuable volume. Although at times the weight of matter inevitably makes for heavy reading, the style is throughout clear, and precise, and interesting.

GEORGE R. CARTER

American Syndicalism: The I.W.W. By JOHN GRAHAM BROOKS. (New York: The Macmillan Company. 1913.)

A STUDY of this book is useful inasmuch as it shows very forcibly to what extent Syndicalistic doctrines can be carried. It should be remembered, however, that it is the peculiar growth of such doctrines in the United States that is dealt with, and that though the aim of English Syndicalists may be the same, the methods they would seek to employ and the material they have at hand are totally different.

The author appears to regard Syndicalism as merely an emphatic protest against the social conditions of to-day, similar in aim to many protests which have gone before, but possessing great power for good and evil in its doctrines. The "Industrial Workers of the World," we are informed, "owes its origin—it will owe its continuance—to industrial disorder and strikes." It might have been added that strikes and the worst forms of industrial disorders will owe their continuance to that organisation which has during the last decade played such a powerful, almost notorious part in all industrial crises in America. For the movement is not an economic or political one. It is a class movement. The object of the organisation is to prove that the working class and the employing class have nothing in common. As it takes this as its basis, it is not difficult to see why it does not pretend to be an economic movement. Socialism was losing its idea of an internecine class war; a new doctrine and a new creed had to be devised for the fanatic, and Syndicalism was to provide this.

Hitherto it has failed to realise completely or to eradicate in the slightest degree a schism which is no less real than the gulf between employer and employee. Skilled and unskilled workers have interests which are the poles apart. The interests of the aristocracy and democracy of labour are hopelessly antagonistic. A commonwealth of labour is an impossibility.

Mr. Brooks surveys the whole sphere of activity of the I.W.W. and traverses the different methods of warfare which they apply and those which they might apply. He does all this in a spirit of genuine sympathy, though his critical faculty is always uppermost.

The narrowness and bitterness of the movement are justified; it is a spirit which is not altogether to be deplored, since it gives reinforced expression to the urgent need of social reform. The tendency to depreciate what the movement owes to the "intellectuals" and the virulent attacks which have been made upon them are criticised, and the debts of the movement to them are summed up.

The ideal state of the American Syndicalist is not to be a democracy, but an oligarchy. They have the utmost contempt for the rule of the many. "Small, energetic minorities" are to seize, control and exercise it for the benefit, perhaps of the many, but more probably of those "small, energetic minorities." Economic doctrines no less than political are completely disregarded by the apostles of the I.W.W. "Sabotage," they say, "is solely against the boss," forgetting that such drastic means and their results invariably tell more heavily on the weak than on the strong.

The book, in fact, furnishes a strong indictment against the existing methods employed by syndicalists, and contains a plea for ending a policy of negation, because it must be futile in its effects. A strong case is made out for the evolution of a positive policy, which will slowly encroach on the present system owing to its superior justice, organisation, and practicability. At the present time the only practical value of Syndicalism seems to be that it might speed up the other reforming bodies and, by advertising by blood the defects of the present system, secure reform within. These reforms from within would, however, be opposed to the fundamental objects of the Syndicalists. They are so convinced of the entire rottenness of the existing system, that they see it decrepit and hastening to decay. The existing system may be bad. Is it weak? The Syndicalists may have a great deal of justice on their side, but have they the means, the organisation, the men, the brains to replace the present system by a better? If the author's summary of their arguments is fair, and if his quotations from their works are representative, the answer to the latter question is an emphatic negative. They are too much afflicted with what the author well calls "adolescent pranks."

Mr. Brooks' position seems to be this: He has closely followed and earnestly and fairly interpreted Syndicalist movements and doctrines in America. This study of the social problem has convinced him of the need of drastic and immediate reform. He flirts with the aims of the Syndicalists, but is entirely out of sympathy

with their means, which he regards as worse than useless. There is no rough-and-ready method to attain Utopia. Harsh cautery, sabotage, direct action, the general strike are all useless to promote peace in the industrial world. He sets two questions for the Syndicalists to answer :—(1) How are the means of production to be taken over? (2) What proposals have they for positive constructive action? The attempted solutions to these problems are reviewed with justice and sincerity, but the inquiring mind is not satisfied. After many questionings and doubts the author's whole position is finally made clear in one sentence : "Until we learn a new solicitude for things that shame us, this sharp surgery of revolt is to be welcomed."

JAMES CONWAY DAVIES

Corso di Scienza delle Finanze. By LUIGI EINAUDI. Second edition. (Turin. 1914. Pp. 1010. 20 lire.)

THE author warns us that this volume of more than a thousand pages is the result of several years' instruction given by himself in different universities, and is, in fact, a series of lectures reproduced by his students. We must not forget this warning in pronouncing judgment on the work before us; and we propose to confine ourselves to examining the author's general conception of public finance as a science apart from economics and other social studies. This indeed seems the most interesting side of the work at the present time, when many students are trying to remove public finance from its uncertain and confused position in order to give it a scientific status on a level with economic theory, demography, &c.

Professor Einaudi holds finance to be a study of prices, and it is only when considered from this point of view that he will allow it the character of a true science. But with what prices is finance concerned? Not with private prices, the study of which belongs to economic theory, replies Professor Einaudi, but with quasi-private and public prices; with charges (*tasse*), levies, and taxes.

The author puts his case as follows :—A *quasi-private price* appears when, for example, people obtain their firewood by means of the State. Here is a private need; yet men rely on the State to produce firewood for them and to sell it to them at the market price, because by this means they incidentally secure—and it is felt that they secure only through State organisation—the pre-

servation of the forests, which is to the advantage of the public as a whole, quite apart from that of its individual members.

A *public price* emerges when men provide, by means of a State railway, for the satisfaction of their separate and distinguishable wants of travelling or sending goods by rail. This is a private want, which men do not, however, desire to satisfy by private efforts, with prices privately settled, since such prices might be raised excessively by monopoly. By handing over the undertaking to the State, men obtain or hope to obtain a lower public price. Such a method of management (either directly by the State or through State delegation to a private body) is a necessary condition for a *public* price. The public price is paid voluntarily just like a private or semi-private price, since the State aims only at the satisfaction of an individual want, at a lower cost than would be fixed by private effort.

A *charge* (tassa) appears when, for example, men provide by a State railway, not only for the satisfaction of their private and separate desires of travelling or of transmitting goods, but also for other needs which are common to all and cannot be individualised, such as that of national defence, by enabling mobilisation to be promptly effected by rail. The price paid is called a charge because it only includes the separable portion of the service rendered, while the indivisible portion is paid for from the taxes proper. This charge is voluntary, because it is only in their own interest that people travel and use the railway service.

A *levy* comes about when men provide for the satisfaction of a want common to all and indivisible, such as the construction of an ordinary road, the benefits from which it is practically impossible to allot to the different people who use the road; and when a private and individual want is satisfied at the same time which is divisible among those to whom the public road gives easy access to their own house or property. These persons are then called on to pay levies or contributions towards expenditure which is primarily of public utility. Such a contribution is compulsory, because otherwise the private individual would wait for the road to be made, in the public interests, and would then use it to reach his property, without any payment.

Taxes proper (imposte) are levied for the satisfaction of needs common to all and indivisible, such as national defence. As it is impossible to measure the benefits thus conferred on individuals, the cost is shared among all citizens with due regard to the necessary considerations which are dealt with later, such as proportionateness to property or to ability to pay. Such a tax is com-

pulsory, because otherwise all would prefer to benefit by these indivisible services without paying for them.

This is the substance of pp. 24–25 of Professor Einaudi's book, and a little later he adds:—"Starting from the quasi-private prices, and proceeding upward through public prices, charges (*tasse*), and compulsory contributions, till we reach taxes proper (*imposte*), we find a graduated series of facts that are further and further removed from private economics till the true sphere of finance is reached."

We must confess that our own conception of Finance, regarded as a distinct science, differs greatly from that which appears in these passages of our author, passages that we have reproduced literally. Whenever the State or some other public body supplies any kind of service or sells any sort of commodity to individuals, and is paid a *price* directly and immediately for the whole or part of these, we are no longer faced by a problem of Finance, but by an economic problem pure and simple, a special case in the general theory of prices; and especially by the prices ruling in some particular economic organisation. The name given to these prices is altogether secondary, and not worth the trouble of discussion. It is rather the general theory of what is known as the repercussion of taxes, which, in our opinion, is the fundamental problem of the true theory of Finance. And there are other problems, too, before the subject is exhausted. Why is a certain tax imposed in a given country at a given time? On what principle is the burden shared? Why does it bear upon one social class rather than upon another?

The author has one merit which must not be underrated: his treatment of the subject is wholly free from the metaphysical method, the most burdensome and disastrous by which a growing science can be approached.

GUIDO SENSINI

L'industria domestica salariata nei rapporti interni ed internazionali. By FEDERICO MARCONCINI. (Turin. 1914. Pp. 847. 12.50 lire.)

THE author understands by home work for wages a system of production of certain economic goods with the following characteristics:—(1) The worker is employed on material provided not by himself but by an entrepreneur, generally by means of a middleman or sub-contractor; (2) the work almost always takes place in the worker's home, with tools that may or may not belong to himself; (3) the product goes from the worker not

direct to the consumer, but to the middleman who is responsible for the worker's payment (p. 35 ff.). Such a system of production is now very widespread, especially in the manufacture of objects of fashion, in that of so-called objects of luxury, &c.; and the author points out carefully the causes of this (pp. 25–38).

Signor Marconcini offers us a quantity of most interesting statistics, on the extent and present conditions of home work for wages, in the chief countries of Europe, such as Austria, Belgium, France, Germany, England, Switzerland, Italy, &c. This, in our opinion, is scientifically the most important part of the work, and in it a phenomenon, which has certainly not received too much attention, is very well treated in its different aspects. The statistics collected and the general observations confirm all that has hitherto been more or less vaguely recorded about the marked inferiority of wages in home industries compared with those obtained by factory workers. The reasons for this are easy to understand, and a number of them are indicated by the author himself. But, overborne by the feelings that the unhappy conditions of the workers, and especially of the women workers in home industries, arouse in the humane mind, he ends by abandoning his objective inquiry in order to give scope to these feelings, and to hasten to imaginary remedies for the ills described. We believe, for instance, that State intervention, urgently desired by the author, would be the best means of increasing such evils rather than of eliminating them; nor does the example of foreign legislation seem to us encouraging.

Prof. Loria has written a preface to the volume, in which the sentimental and literary points of view predominate over the scientific.

GUIDO SENSINI

Die englische Arbeiterpartei. By DR. GERHART GÜTTLER. (Jena: Gustav Fischer. 1914. Pp. x + 210. Price 5 marks.)

Gelbe Gewerkvereine in Frankreich (Syndicats jaunes). By DR. KARL FESSMANN. (Berlin: Leonhard Simion Nachfolger. 1914. Pp. xi + 119.)

THERE is a certain similarity in these two treatises. Both have the characteristics of good doctoral dissertations, so common in Germany; they give detailed consideration to comparatively limited subjects, and in each case it is one aspect of the Trade Union movement that receives attention. In the long run, no doubt, very specialised studies such as these will contribute some-

thing of permanent value for the future historian of Trade Unionism. But a good deal of what they contain will necessarily have to be reconsidered in the light of later events.

For English readers there is little that is new in Dr. Güttler's careful narrative of how the English Labour Party arose and what it stands for. But German students should find the book useful. The author has read widely and writes with appreciation of the main currents of the English labour movement. But whether Mr. J. Ramsay Macdonald's Socialism deserves special consideration in a separate chapter is doubtful. Even our author admits that there is nothing particularly original in the well-known and capable Labour member's views. However, if this chapter is superfluous, the succeeding one, giving a systematic account of the Labour Party's programme, is good.

In Dr. Fessmann's study of the Yellow (anti-Socialist) Trade Unions in France there is also evidence of wide reading on almost every page. As for the origin of the term "yellow" in this connection, it is interesting to note that the author rejects the current story of the crowd breaking the windows of a café in which the group of Trade Unionists were in conclave, and the proprietor covering the broken panes with yellow paper. His own version is that, just as the socialist Trade Unions are generally known as red, so by contrast these, their opponents, are dubbed yellow—yellow signifying renegade, coward, weakling. Yet, despite their contemptuous name, this section of French Trade Unionists, in the opinion of the author, have contributed to check the march of the extremists (the C.G.T.), to the advantage of French national life. Whether there is truth in this judgment remains to be seen; but certain it is that Dr. Fessmann has given a readable account of a section of the Labour movement in France of which not much is known in the world beyond.

M. EPSTEIN

Löhne und Lebenskosten in Westeuropa im 19. Jahrhundert. By DR. CARL VON TYSZKA. (Munich : Duncker und Humblot. 1914. Pp. viii+291. Price 8 marks.)

MANY inquiries concerning wages and the cost of living have been made of late, but in the majority of cases the period of time covered was not an extensive one, and therefore useful comparisons were not possible. An inquiry over a fairly long period consequently would serve a good purpose, and this Dr. von Tyszka, who is an assistant in the municipal statistical office of the city

of Leipzig, has provided. But not only has he dealt with a long stretch of time—the nineteenth century; he has also included five geographical areas—France, Great Britain, Spain, Belgium, and Germany. His tables are not based on original research, but they are exceedingly well put together, and add to the usefulness of a careful presentation of facts. We are accustomed by this time to expect excellent compilations and reports in the series known as the *Schriften des Vereins für Sozialpolitik*, and the book before us, the third section of Vol. 145, is no exception to the rule.

In all the five countries the general result arrived at is that wages in the course of the nineteenth century have steadily increased. This was chiefly in consequence of the industrial revolution, which replaced manual work by machines and made Western Europe, sleepy and agricultural as it then was, into a great industrial entity. But while nominal wages rose pretty well everywhere, the cost of living rose as well. Here it is interesting to note the author's conclusions. Of the five countries considered, and taking the last forty years, nominal wages have risen most in Germany and least in Great Britain. Yet when we come to look at real wages, the German workman is worse off than his English brother. But better off than either is the French workman, who has, indeed, to face a gradual rise in the price of the necessities of life, but who at the same time receives an increase in his wages much greater in proportion. The general rise in the standard of comfort in France, however, our author thinks, costs too much in terms of national well-being, when it is remembered that the decline in the population is becoming one of the most serious problems for French statesmen. Moreover, when we compare the conditions in England with those elsewhere, we find one very striking fact. On the whole, the cost of living in England has tended to fall, and the reason given is the Free Trade policy of this country. When one considers the famine prices of meat in Germany in recent years, when one recalls that pretty well on all its frontiers there was an ample supply of cattle which could not be imported only because of the protective policy of the German Government, it is easy to understand that Dr. von Tyszka should write so admiringly of the Free Trade of England. We believe that he has here propounded a view that has a good deal of truth in it.

The great value of the book, however, lies in its numerous tables, which have tapped many sources—private inquiries, official publications, and family budgets. We append one which should be of great interest for its comparative figures:—

—	Percentage of total income of a working-class family spent on the headings given in		
	Great Britain.	Germany.	United States.
Food	58·32	56·80	54·10
Warmth and light	8·34	5·00	7·00
Clothing	16·67	15·80	16·20
Housing	16·67	22·40	22·70
	100·00	100·00	100·00

There is only one striking desideratum in the book: a good index. Useful in any book, an index in just such a book as this is almost a prime necessity.

M. EPSTEIN

THE INFLUENCE OF THE WAR ON EMPLOYMENT.

WHEN the war first broke upon Europe there was no question on which public opinion was more vague and uncertain than that of the effect on industry and employment. The most contradictory prophecies were abroad, and there were few who did not feel quite at a loss to choose between them. The general attitude was one of being prepared for anything that might happen. Certain consequences, it was true, were plain and clear. Trade with the enemy countries would cease entirely; and British trade with Germany and Austria was no negligible matter. Trade with the friendly belligerent countries would be very seriously interrupted, for the war must completely upset their normal economic life. Finally, trade with neutral States, especially with the neutral States on the Continent, would be curtailed by the risks of transport in war-time and the consequent increase of cost of freight and insurance. Factors such as these were definite and tangible: they could be readily understood and appreciated; and, because they could be understood, their importance could be fairly gauged, and their consequences anticipated without wild surmise and in reasonably just perspective. Against these disadvantages there could be set certain advantages from the point of view of the immediate demand for labour, equally definite and tangible. There would be an immense increase in Government contracts, and a greatly increased demand for labour in those trades which could supply the needs of the military forces. Recruiting would withdraw large numbers from the labour market. Against the loss in foreign trade there would be a partial compensation in the larger home demand for those goods which had been hitherto supplied mainly from abroad. It was not, of course, possible to strike a precise or accurate balance of these gains and losses. Much must depend on the uncertain issues of the war. But so far speculation was at least in the realm of well-understood causes and effects; and it had to guide and illuminate it a large store of relevant experience of previous wars. But at this stage a new force had to be reckoned with, uncertain, mysterious, formidable.

What of the effect of war on finance, and of a financial collapse on the whole industrial system? Here past experience seemed of little value; because, apart from the unprecedented dimensions of this war, the credit system was known to have developed in recent years out of all recognition. Everyone knew that industry now was based to a degree far greater than ever before upon credit. Everyone knew that the maintenance of credit and the maintenance of confidence were identical things. Everyone knew that war was fatal to confidence. Would not the financial system go to pieces, and would not the industrial system share in its ruin? The Stock Exchange had been described as the economic pulse of the nation. What would happen if the pulse should cease to beat? Such were the vague and limitless forebodings with which many people awaited the economic effects of the war.

It is possible to-day, with more than three months of war behind us, to bring the main issues to the test of actual fact. Broadly, alarmist prophecies have been refuted. Our financial system has shown itself possessed of considerable resilience and strength. The unprecedented strain has bent it rudely out of shape, but it has not broken it. Still, the financial confusion has been considerable: the noteworthy thing is how small a part has been communicated to industry. Despite the moratorium and closed Stock Exchanges, there has never, so far, been an amount of unemployment that can be called serious. In a number of industries, it is true, there are men and women out of work and a great many more on short time; but such distress is well within the limits of an ordinary depression of trade. It is noteworthy, too, that the unemployment which exists is in the main to be explained not by the vague, mysterious influence of credit, but by the definite and tangible factors first mentioned—the loss of markets, the difficulties of export, or the cutting off of a raw material. In particular it is to be observed how the dominating factor throughout has been the easily understood influence of Government demand. It was the commandeering of horses which in the early days of the war threw the cartage trade into disorder; it is the Government demand for uniforms which, in the woollen and worsted industry of the West Riding, has now turned what promised to be a period of depression into one of exceptional activity. Beside the operation of this single factor, the effect on industry of all the alarums of the financial world has been small indeed, a result which confirms the wisdom of those who place their faith in the underlying realities, and is a warning to the zealots of financial mysticism.

The tables which follow are taken from a White Paper[1] recently issued, which has been prepared by the Board of Trade, and which shows the course of employment down to the middle of October. They are the result of a particularly thorough and exhaustive inquiry, which reflects credit not only on the Board of Trade, but on the employers, who have been the main source of information, and who, in spite of a somewhat bewildering sequence of demands, have been at much pains and have displayed much patience in supplying returns. The investigation covers no fewer than 66 per cent. of the workpeople employed in large firms in industrial occupations, and 10 per cent. of those in small firms. The material thus provided is of a quality far superior to that usually available for estimating unemployment, and a number of indications point to the conclusion that the figures finally arrived at seldom deviate far from accuracy. In judging the influences at work in various trades and districts, the writer has been much assisted by a systematic Press-cutting record which is being conducted by the Garton Foundation.

I.

The Level of Unemployment.

A general notion of the trend of employment in the country as a whole can be obtained from Table I.

Table I.

State of Employment in industrial occupations in September and October compared with the period before the War. Proportion of Employees on Short Time, left former employment and joined forces.

Out of every 100 employed in July.	September.		October.	
	Males.	Females.	Males.	Females.
Still on Full Time...	60·2	53·5	66·8	61·9
On Over Time	3·6	2·1	5·2	5·9
On Short Time	26·0	36·0	17·3	26·0
Contraction of Employment	10·2	8·4	10·7	6·2
Known by employers to have joined the forces	8·8		10·6	
Net displacement (−)	−1·4		−0·1	

[1] Report of the Board of Trade on the State of Employment in the United Kingdom in Mid-October. Cd. 7703.

II.

Unemployment in Particular Industries.

The percentages of unemployment in the various industries are shown in Table II. This table, it must be noted, applies only to industrial occupations, and includes neither railways, docks, shipping, the carrying trade, agriculture, clerks, nor shop assistants; nor does it include Government employment, in Woolwich Arsenal or elsewhere, which has expanded considerably since the war. It must be borne in mind that it shows not the amount or percentage of men actually out of work, but the increase as compared with the period before the war.

Certain features of the table stand out. The percentage of the men employed in July, who were no longer in employment in October, is 10·7. The percentage known to have joined the forces is 10·6. Almost all the contraction of male employment had thus been accounted for by recruiting; absolutely all, it is not too much to say, when it is remembered that the enlistment figures include only those known to have enlisted, and are therefore, to some extent, though it seems to a very small extent, incomplete. The figures for women yield a more favourable result than the impression generally entertained. In October the employment of women had been reduced by 6·2 per cent., a figure which is a decided improvement on the corresponding figure, 8·4 per cent., for the previous month. Nearly 50,000 women were re-absorbed in industry between September and October, leaving about 140,000 still displaced. A considerable number, it seems probable, have been re-absorbed since. A large number have obtained work in the many workrooms which have been set up all over the country. The percentage given is the percentage of those discharged from private employment, and of course includes those who have got work in the workrooms of the Relief Fund or any form of Government employment. Even in the case of women, therefore, the amount of actual unemployment is not large and is diminishing.

Short time exists on a much more serious scale. In October short time percentages were 17·3 per cent. in the case of men, 26·0 per cent. in the case of women. Of those affected, the majority, both of men and women, were working three-quarter time or more. A large number were working between a half and three-quarter time; while the number of those working less than half time was below 1 per cent. in the case of men, and

TABLE II.

State of Employment in September and October compared with July. (Combined percentages from returns of large and small firms—Number employed in July = 100.)

Trade Groups.	Approximate Number Occupied. Census 1911. Males.	Females.	September, 1914. Males. Total contraction of employment. %	Known to have joined the Forces. %	Net displacement (−) or replacement (+).§ %	Females. Contraction of employment.‡ %	October, 1914. Males. Total contraction of employment. %	Known to have joined the Forces. %	Net displacement (−) or replacement (+).§ %	Females. Contraction of employment.‡ %
Building	1,133,300	1,300	9·8	6·9	− *2·9*	—	14·0	9·5	− *4·5*	—
Coal and other Mines }	1,188,100	6,600	{ 8·8	7·0	− *1·8*	2·4	8·0	10·1	+ *2·1*	8·0
Quarries }			{ 8·5	6·5	− *2·0*	—	9·7	7·7	− *2·0*	—
Iron and Steel	288,700	700	8·7	9·8	+ *1·1*	8·8	7·0	10·6	+ *3·6*	5·9
Tinplate	24,800	3,100	13·9	5·7	− *8·2*	9·0	11·7	7·8	− *3·9*	2·8
Engineering, &c.	781,000	15,700	11·8	10·0	− *1·8*	0·5	12·0	12·2	+ *0·[illegible]*	+ 2·2
Shipbuilding	163,300	500	7·0	9·2	+ *2·2*	—	9·1	11·4	+ *2·3*	—
Cutlery, Wire Drawing, &c.	106,700	22,600	6·5	7·3	+ *0·8*	1·4	10·3	10·7	+ *0·4*	0·6
Cycle and Motor, Carriage, &c.	190,400	7,700	14·5	9·7	− *4·8*	8·5	17·8	11·8	− *6·0*	12·4
Other Metal	161,700	48,700	9·5	10·7	+ *1·2*	4·8	12·0	12·1	+ *0·1*	1·3
Chemicals	96,700	34,100	6·9	10·8	+ *3·9*	1·1	6·2	12·2	+ *6·0*	1·0
Cotton	238,100	388,000	17·4	4·3	−*13·1*	14·9	17·1	7·0	−*10·1*	14·2
Woollen, Worsted	108,100	144,600	7·5	4·3	− *3·2*	4·[illegible]	2·1	4·8	+ *2·7*	1·9
Linen, Jute, Hemp	54,800	107,700	4·6	7·0	+ *2·4*	1·0	7·7	12·6	+ *4·9*	0·8
Hosiery	16,600	51,900	6·0	6·7	+ *0·7*	+ 0·3	1·1	6·7	+ *5·6*	+ 5·2
Other Textile	159,900	167,100	10·2	7·8	− *2·4*	7·3	11·2	9·5	− *1·7*	2·7
Clothing	247,800	808,200	13·7	9·6	− *4·1*	8·6	11·2	10·4	− *0·8*	5·2
Boot and Shoe	197,200	50,000	7·5	6·7	− *0·8*	0·3	6·2	6·7	+ *0·5*	1·7
Grain Milling	28,400	2,100	+ 1·5	7·1	+ *8·6*	2·5	1·0	9·4	+ *8·4*	+ 3·2
Other Food, Tobacco	225,300	99,000	7·5	9·2	+ *1·7*	13·6	4·4	11·1	+ *6·7*	12·1
Paper, Printing	209,900	122,000	9·5	8·6	− *0·9*	4·4	11·7	10·2	− *1·5*	6·5
Timber	98,900	3,500	13·5	9·9	− *3·6*	+ 2·3	9·9	10·2	− *0·3*	+ 1·8
Furniture, &c.	130,900	21,800	19·1	9·6	− *9·5*	13·1	21·4	10·9	−*10·5*	12·7
Other Timber	30,000	4,900	13·6	8·6	− *5·0*	3·9	10·8	10·2	− *0·6*	5·8
Glass, China, &c.	75,700	34,600	10·9	9·9	− *1·0*	[illegible]·3	11·5	11·2	− *0·3*	4·8
Brick, Stone, &c	120,200	6,800	12·8	9·2	− *3·6*	12·4	15·7	11·0	− *4·7*	7·8
Leather, Canvas, &c.	86,600	30,900	7·5	11·6	+ *4·1*	11·8	7·6	13·[illegible]	+ *6·2*	+ 2·0
Gas, Water, &c.	113,900	300	4·7	9·4	+ *4·7*	8·7	5·7	11·1	+ *5·4*	...
Total (including miscellaneous trades)	7,008,800	2,229,700	10·2	8·8	− *1·4*	8·4	10·7	10·6	− *0·1*	6·2

§ A + indicates the extent to which any industry has been compelled to draw in new employees.
‡ A + indicates that more persons were employed in October than in July.

below 2 per cent. in the case of women. Short time of less than three-quarter time is confined to a very few industries, and is mainly to be found in the cotton trade of Lancashire and the coal trade in Northumberland and Durham.

The trades which the above figures show to be most seriously affected are cotton, furniture, and the cycle and motor trades, in the case of both men and women; building and cement (included in the brick, stone, &c., returns) in the case of men, and the confectionery trades (accounting for the high figure for "other food") in the case of women. Of these occupations decidedly the worst are the cotton trade (covering 238,100 men and 388,000 women) and the furniture trades (covering 130,900 men and 21,800 women). It is on these two industries, in fact, that the main burden of unemployment has fallen.

Cotton Trade.

The factors affecting the cotton industry are very complex. The figures in the above table understate the actual loss of employment, for they take no account of short time. The following table for the Lancashire district supplies this deficiency :—

TABLE III.

The Cotton Trade—Lancashire and Cheshire. State of Employment in October compared with July for large firms and small firms respectively.

Approximate Industrial Population—Census 1911.	Males.		Females.	
	209,500.		336,800.	
	Large Firms.	Small Firms.	Large Firms.	Small Firms.
Employed in July	100	100	100	100
Still on Full Time in October ...	41·7	40·2	40·8	44·3
On Over Time	0·3	0·5	0·4	—
On Short Time	40·0	40·3	42·3	45·5
Contraction of Employment ...	18·0	19·0	16·5	10·2
Known by employers to have joined the forces	6·7	8·4		
Net displacement (−) or replacement (+)	−11·3	−10·6		

It is worth noting not only how extensive is the amount of short time, but how much more seriously small firms are affected than large, a result which is typical of industry as a whole. In considering the cotton trade, it is, of course, important to bear

in mind that by no means all, indeed not the greater part of, the distress which exists is to be attributed to the war. Lancashire was, in any case, expecting bad times. Production had overreached demand; and before the war the spinners of American cotton had decided to reduce working hours between July 7th and the end of September by 166½ hours, or roughly three weeks. For a number of reasons the war has accentuated the depression. Cotton is, to a greater degree than any other industry, an export trade, and has been especially prejudiced by all the disadvantages under which export trades have laboured, high rates for freight and insurance, the prohibition of code telegrams, and, in the early days of the war, the dislocation of the machinery of bills of exchange. Germany, too, it must be remembered, was an important market for cotton manufactures. The trade is not hampered by any shortage of raw cotton, at least not by any natural shortage. On the contrary, the unexpected excellence of the American crop has proved a considerable embarrassment, and has led to the remarkable action of the Liverpool Cotton Association, who have contrived in the cotton industry of Lancashire, the very citadel of free competition, to suspend free exchange and to maintain the price of cotton at an artificial height. But, like other textile trades, cotton has been hit by the scarcity of dyes. Thus, in respect of the cutting off of a German import, the loss of a German market, and the general handicap to oversea commerce, Lancashire has suffered from the special disadvantages of the war.

The Woollen and Worsted Trades.

It is interesting to compare with the cotton trade its fellow textiles, the woollen and worsted trades of the West Riding. These trades, like cotton, though not to the same extent, were affected before the war by a depression. Like cotton, though again to a smaller extent, they depend for their prosperity upon foreign markets; and here also Germany was an important customer. More noticeably than cotton, they have suffered from the scarcity of dyes and colours. In two respects, however, the one of undoubted, the other of problematical importance, the trades differ. Woollen and worsted have benefited by the large demand of the Government for khaki uniforms and other military clothing. They also belong to the group of industries marked out by the enthusiasts of the "war on German trade" for success in that enterprise, though in point of fact it is at the expense of France as much as of Germany that any gains are likely to be secured.

So far the expansion in this direction has been small, and it is doubtful if it will ever be enough to counterbalance the disadvantages of the shortage of German dyes. But the first factor is of paramount importance, and has produced in the woollen and worsted trade a situation which on the balance is decidedly prosperous. The results are shown in the following table :—

TABLE IV.

The Woollen and Worsted Trades—Yorkshire. State of Employment in October compared with July for large firms and small firms respectively.

Approximate Industrial Population—Census 1911.	Males. 84,300.		Females. 113,400.	
	Large Firms.	Small. Firms	Large Firms.	Small Firms.
Employed in July	100	100	100	100
Still on Full Time in October ...	62·8	46·7	63·6	43·3
On Over Time	24·1	29·7	22·2	28·3
On Short Time	12·2	19·7	13·9	23·0
Contraction of Employment‡ ...	+0·9	3·9	0·3	5·4
Known by employers to have joined the forces	2·6	5·0		
Net displacement (−) or replacement (+)	+3·5	+1·1		

The co-existence of a large amount of short time and a still larger amount of overtime is to be noted. Many branches of the trade are unaffected by Government orders, and in these branches the condition of things is almost as bad as in the cotton trade.

The Furniture Trades.

The unemployment percentage is higher in the case of the furniture group (which includes cabinet-making and upholstery) than in any other industry, though the numbers affected are not large, except in London and the South-Eastern district. These trades have suffered from the scarcity of a variety of raw materials : wood, glass, mouldings, bronze powder, and metal-leaf, all being difficult to obtain. But the main cause of depression is to be found in the diminution of home demand. The furniture trades are dependent to a very marked degree upon general prosperity and confidence. They belong to the category of "luxury trades," which are among the earliest and principal victims of a general retrenchment.

The Building Trade.

The figures of Table II. understate the unemployment caused by the war; for in July, the month with which comparison was made, the long London trade dispute still pursued its course. The effect of the war is further obscured by the seasonal variations which the trade is accustomed to undergo. A shortage of timber has seriously affected the trade; but in addition there is the general consideration that the building trade is one of the group concerned in the production of "instrumental goods," which, like luxury trades, are marked out as special sufferers in a depression, and which, for that reason, were selected for the first experiment in unemployment insurance. The building trade possesses the special feature that it is the industry in which it is most easy for the Government or the local authorities to counteract unemployment at will by the undertaking of works which will always be useful and can generally be postponed. Local authorities have, in fact, attempted little or nothing in this direction, and the Government has blown first hot and then cold on the idea of their doing so. Many carpenters, however, have been employed by the Government in constructing huts for soldiers.

Other Industries.

The cycle and motor trades, and confectionery, have already been mentioned as seriously affected. The cycle and motor trades are prominent luxury trades; confectionery, which has been affected by the price of sugar, seems now to be improving considerably. In the coal trade there has been a good deal of short time, especially in Northumberland and Durham, and some unemployment. The tinplate industry, which was in a bad condition in September, has since made a great recovery. Employment is fair in the iron and steel trades. In engineering there has been a big reduction of employment, but it has been more than met by recruiting. Ship-building is, on the whole, satisfactory. In the linen trade the actual reduction in employment has been small, but there is a very large amount of short time, especially in Ireland, most of which is not of a serious nature. The chief cause is the shortage of the raw material from Russia, while the scarcity of dyes is a contributing factor. The linen trade may hope to gain somewhat in the markets of the world at the expense of Germany, and more particularly of France, and it will be interesting to note its future course. It will be interesting, too, to note the course of employment in the potteries (glass, china,

&c.), so far not very satisfactory; for these trades were selected by the Board of Trade for the second of their exhibitions of German and Austrian manufactures.

III.

Non-Industrial Occupations.

It remains to deal briefly with the occupations not included in the above returns. The classes most seriously affected are stock-brokers' clerks and those engaged in the artistic professions. The latter class have, in fact, suffered relatively more from the war than probably any other body of people. The conditions of employment for clerks as a whole are not worse than in industry. It is noteworthy that clerks have contributed to the Army a particularly large percentage. Employment at the docks has varied more than in any other occupation, both from week to week and from place to place; and the future is uncertain and difficult to gauge. Just now, however, with a large number of dockers employed by the Government at Havre and other French ports, conditions are in the main satisfactory. In agriculture there is a shortage of labour. Government employment has improved considerably since the war, and has absorbed large numbers, particularly of engineers and mechanics, who appear in the percentages of unemployment.

IV.

The Future.

If such is the state of employment at the present time, what is likely to happen in the future? There is no reason to expect any great change for either better or worse during the period of the war. If the destruction of the *Emden* is followed by the sinking of the German cruisers still at large in the Pacific, the prospects of our over-seas trade will improve; and it may be that British traders will gradually obtain a certain foothold in the foreign markets previously served by Continental firms. But it would be rash to attach much importance to either of these possibilities. The difficulties caused to some industries by the scarcity of raw material may be partially met from British sources. It is likely that the home demand in the "luxury trades" will recover somewhat with reviving confidence and with the growing inconvenience of postponing purchases. On the other hand, some industries which have been sustained by working off old orders have yet to feel the full effects of the scarcity of new ones: some

firms, which have held on as best they could for as long as they were able, may shortly be compelled to abandon the struggle. On the whole, such changes as we may reasonably expect in the near future are likely to be for the better. Industry would appear to be settling down to an equilibrium at a point which will ultimately be a rather more favourable one than the present, and which in the absence of any rude and unexpected shock will last indefinitely through the course of hostilities.

But this conclusion applies, of course, only to the period of the war. With the signature of peace the economic situation will be changed, and industry will enter upon difficult and troublous times. Somehow, sooner or later, it must re-absorb a million men, deprived of the support which it at present receives from war expenditure. The transition to a normal state of affairs may be partially smoothed by a period of reconstruction; it may be facilitated or impeded by monetary events; but when all allowance has been made on the most favourable assumptions for such influences, the problem remains in magnitude and character essentially unaltered. We can hardly expect it to be finally solved without a period of widespread unemployment and acute distress. But though this is only too likely to happen, it is ordained by no behest of economic necessity, by no fiat of inexorable laws. Six years ago, in a book which has already borne rich practical fruit, Mr. Beveridge pointed out the true nature of the problem of unemployment. It is not a question of the general level of prosperity, but simply of adjustment and organisation. We are so accustomed to regard unemployment as an index of national prosperity, that it is hard to bear this truth in mind. But to-day it is written large, for all who have eyes to perceive, in the Board of Trade returns. The war has brought little unemployment; that does not mean that there has been little economic loss: it means that the economic loss has not been translated into terms of unemployment. It need never be so translated. War upsets the normal equilibrium of the labour market; but, by a fortunate accident, the result of no plan or purpose, it leaves for the time being a tolerable adjustment in its place. It will be for conscious, deliberate organisation to achieve a comparable result when the war is over. If it is unequal to this task, and if to the great economic injury which the war must bring there is added the further waste and suffering of unemployment, no more than war itself will that have been inevitable; but, like war, it will spell "a failure of human wisdom."

H. D. HENDERSON

ISSUE OF EMERGENCY CURRENCY IN THE UNITED STATES.

THE Aldrich-Vreeland Currency Act of May 30th, 1908, was avowedly a temporary measure, the motive of which was to provide a possible method of currency expansion in case the country should be threatened by another panic before the thorough-going currency and banking reform then contemplated could be effected.[1] The Act was to expire by limitation June 30th, 1914. Up to July 1st, 1913, twenty National Currency Associations had been organised. These Associations comprised 339 national banks, or about 4½ per cent. of the total number, and represented about $365,000,000 capital, or about 35 per cent. of the total capital. As early as 1910 the Comptroller of the Currency had reported that circulating notes had been printed under the provisions of this Act to the amount of $500,000,000, and had been stored away for use in case of need. Down to the time of the passage of the Federal Reserve Act, December 23rd, 1913, not a dollar of this emergency currency had ever been issued, and there was little prospect that it ever would. Bankers generally expressed their unwillingness to issue currency under the Act, except in case of an extreme emergency, because to do so would be to advertise to the world that they were in a precarious financial condition, which would of itself aggravate the evil to be remedied. Furthermore, the tax on the issue of this emergency currency was high, beginning at 5 per cent. per annum for the first month and increasing by one per cent. each month until it reached 10 per cent. per annum, and the machinery of issue through Currency Associations was complicated. When the Glass-Owen Bill, which became the Federal Reserve Act, was before Congress

[1] This Act provided that, subject to certain conditions, banks belonging to a National Currency Association, could, "if in the judgment of the Secretary of the Treasury business conditions in the locality demand additional circulation," issue additional bank notes, on the basis of any securities, including commercial paper, approved by the Treasury and deposited with them, to an amount not exceeding 75 per cent. of the cash value of the securities so deposited. Such notes were to be a first charge against the assets of all banks belonging to the association, and might not exceed $500,000,000 in total aggregate.

no one took very seriously the provision extending for one year, with a reduction in the tax rates,[1] the emergency currency sections of the Aldrich-Vreeland Act. It was looked upon as a precautionary measure which was extremely unlikely to be needed, much like the purchase of an accident insurance ticket for a one day's journey. But in this case the accident occurred. It was the outbreak of the European War, and in the financial strain and confusion which resulted during the months of August and September this emergency currency proved of great service. In August a large number of new National Currency Associations were hurriedly organised, and the areas covered by several of the older ones were extended. Congress on August 4th passed by unanimous vote an amendment to the emergency currency section of the Federal Reserve Act. It authorised the Secretary of the Treasury, "whenever in his judgment he may deem it desirable . . . to suspend . . . [certain] limitations . . . which prescribe that such additional circulation . . . shall be issued only to national banks having circulating notes outstanding secured by the deposit of bonds of the United States to an amount not less than 40 per centum of the capital stock of such banks, and to suspend also the condition and limitations of section 5 . . . except that no bank shall be permitted to issue circulating notes in excess of 125 per cent. of its unimpaired capital and surplus." The amendment further authorised the Secretary of the Treasury in his discretion to extend its benefits to all qualified State banks and trust companies which had joined the Federal reserve system or which may contract to join within fifteen days.

During August approximately $141,000,000 of this emergency currency was issued, and by October 26th the total issues had amounted to approximately $369,000,000. By the latter part of October the financial situation had so improved that the currency was proving redundant, and under the influence of the progressive tax upon its circulation was being retired in considerable quantities. With the opening on November 16th of the twelve Federal reserve banks for business, with authority to issue Federal reserve notes, it may be expected that the balance of these emergency notes will be retired rapidly, never again to be issued.[2]

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[1] The new rate was 3 per cent. per annum for the first three months, and an additional rate of ½ per cent. per annum for each succeeding month until 6 per cent. was reached. (Sec. 27.)

[2] By November 27th the amount in circulation had been reduced to $273,000,000.

WAR CURRENCY AND FINANCE IN CANADA.

FROM A CORRESPONDENT.

WHEN war was declared by England on August 4th the Dominion Government at once adopted measures similar to the English for the defence of the country and the defeat of the enemy. But, as in England so in Canada, the financial crisis had begun with the Austrian declaration against Servia on July 28th. The closing of the Stock-Exchanges in Montreal and Toronto, on receipt of the news, was the symptom of a disease needing extraordinary remedies. No surprise, therefore, was felt when the Government, by Orders in Council, made certain changes, afterwards confirmed by Parliament, in existing financial dispositions.

The chief of them are summed up in the preamble of the Finance Act: "An Act to conserve the Commercial and Financial Interests of Canada," 5 George V., ch. 3. The Act authorises by Proclamation "in case of war, invasion, riot or insurrection, real or apprehended, and in case of any real or apprehended financial crisis" (Section 4), the following steps:—

(1) The making of advances by the Government to the Chartered Banks in the form of an issue of Dominion notes,[1] against deposit with the Minister of Finance of such securities as may be approved by the Minister, such advances to be repayable not later than May 5th, 1915, with interest at a rate to be approved by the Minister, but not less than 5 per cent. per annum. This provision is in force. The amount so lent on August 31st was by the *Gazette* Returns only three-quarters of a million. Though the Returns for September 30th do not give the amount, the increase of some 12 millions in Dominion notes may be partly due to this cause. But what the Banks want is gold, and Dominion notes no longer procure it for them.

(2) Payment by the Banks in their own notes, instead of gold or Dominion notes. This has been authorised, and is in force.

(3) Issue by the Banks of an excess-circulation from March to August in amounts not exceeding 15 per cent. of the combined capital and rest or reserve fund, as stated in the statutory monthly return next preceding that in which the additional amount is issued. Though the time of these issues is described as from

[1] See ECONOMIC JOURNAL, June, 1914, p. 299.

March to August, the normal concession (Bank Act, 1913, Section 61, 14) had been for September to February, the time of Harvest Settlement. The new Act simply extends the concession over the entire year; and the interest payable is the rate of the normal concession, 5 per cent. (Bank Act, *ib.* 16). This is in force, and in August seven banks made use of the privilege, but only to a total of about 5 millions out of the grand total of 114 for the 24 banks; in September 13 banks to about 9 millions out of 120.

(4) Suspension of the redemption of Dominion notes in specie. This is in force, and is the leading feature of the situation.

(5) A *moratorium* or "postponement of the payment of all or any debts, liabilities, and obligations, however arising," to such extent as may be specified in the Proclamation. At the time of writing (October, 1914) no use had been made of this last power.

Concurrently with the Finance Act, which was specifically a war measure, there was passed the Dominion Notes Act, 5 George V., ch. 4 (August 22nd, 1914), of a normal character. In this Act, among other things, the "gold" to be held as reserve is now expressly declared to include not only the gold coins which are a legal tender in Canada, but "gold bullion in bars, each bar bearing either the stamp of the Royal Mint of the United Kingdom or of the branch thereof in Canada or of one of the branches thereof in Australia or of one of the coinage mints of the United States or of the Assay Office of the United States at New York, certifying its weight and fineness, at a valuation of one dollar in the currency of Canada for every 23·22 grains of fine gold content" (§ 2). Besides this there is little of novelty in the Act, and the normal character of it is implied in its provisions for redemption in gold (§ 4. section 3, § 10).

To make the list of financial measures complete, we should add the Customs Tariff Amendment Act, 5 George V., ch. 5, and the Inland Revenue [Amendment] Act, 5 George V., ch. 6. The date in all cases is that of the Royal Assent, August 22nd.

The changes in currency are slighter than in England, and are not brought home to the people by any new forms of money like the new Treasury notes of £1 and 10*s*. in the Home Country. The ordinary citizen is hardly aware that any change has been made. His Dominion notes are no more and no less to him than they were before, so long as he is remaining in Canada. It is true that he cannot get gold for them if he wanted it, and the knowledge of this fact might prey on his mind, did he not feel assured that the disability is temporary, and will vanish when the stress of war is over. There is no sign of panic; there would

probably be nothing like a run on the banks by ordinary depositors, even if the banks redeemed their notes in gold. That the banks pay the depositors in their own notes is not a new thing for ordinary folk. In the world of business it is otherwise. Whereas Dominion notes could be used as gold certificates when gold coins were wanted for payments in the United States, they are now inconvertible, all statements on the face of them notwithstanding. The reserve of gold prescribed by the Finance Act, to be held against all beyond 50 millions and 25 per cent. of the said fifty, has been duly kept up. The *Gazette* of October 31st gives the gold "held September 30th by the Minister of Finance" as $94,607,634, of which $89,249,876 "for redemption of Dominion Notes." It is significant that the Banks, while paying their customers in their own bank-notes, pay each other, in "clearing," by means of Dominion notes, the latter having a greater appreciable reserve of gold behind them, though it will not be touched till the crisis is passed. The customers of the banks are required to pay their debts to the Bank in Dominion notes, or at least there is no clause in the Finance Act enabling them to do otherwise. As yet there has been no rebellion of the public against this "differential" treatment of banks and customers. The banks seem to have stood the crisis well. The much-criticised "call-loans held abroad" have been recalled without much difficulty. In the course of August 40 millions of them were brought back from New York.

There will, too probably, be many unemployed in the winter; trade is not yet normal. But it is less abnormal than in England. Had there been no war, we should still have been feeling the depression that was remarked at the end of 1913, and we must not set down to the war what was due to the falling off in English loans, observed then, and bound, in any event, to last for another year. We can still trade with our great neighbour over the border on the old conditions. If we have not a very large harvest, we have high prices of grain. The changes in the Tariff were in an upward direction and chiefly concerned beer, sugar, spirits, tobacco, coffee, and cocoa. A retroactive clause made the duties apply to beer and spirits from August 7th, instead of August 21st. The intention was obvious, and the public took little interest in the protests of the trade. The corresponding Excise duties on beer, spirits, and tobacco came also into force on August 7th. The English preference remains proportionally as it was. The retail prices of sugar and coffee have gone up; but the index number of the Labour Department for all prices stood so :—

July, 1914	... ...	135·5
Aug., ,,	... ...	137·7
Sept , ,,	... ...	140·7 as against :—
July, 1913	... ...	134·1
Aug., ,,	... ...	134·1
Sept., ,,	... ...	134·4

The changes are not at all beyond precedent. Immigration has ceased for the moment. This is well; and it is well, too, that the good sense of the country as a whole is against any general *moratorium*, which would injure the credit of Canada abroad and postpone the return of English capital. Manitoba has adopted a *moratorium* for mortgages on land; Saskatchewan appears to be following suit. Creditors outside the province are held to be legally unaffected; but the step seems unwise.

Perhaps the most novel feature of the financial situation here is one that has nothing to do with Statutes. It is the arrangement made in the middle of August by the Bank of England for treating cellars in Ottawa as if they were cellars in Threadneedle Street, and crediting a customer with having deposited gold in the Bank of England if the gold had been warranted by the Finance Minister of the Dominion Government at Ottawa as having been received by him there on behalf of the Bank of England. It may happen that this ingenious plan, first applied in Canada and South Africa as a means of eluding the risks of dispatching gold over the ocean in face of an enemy, may prove to have conveniences outlasting the war, and furnishing a new extension of the "Gold Exchange" principle of currency. There is a saving not only of risk, but of time. A Canadian bank can pay over gold on Monday, and on Tuesday find the amount placed to its credit in London. Considerable amounts were deposited at once in this way by our banks; but the large deposits made by the United States in September threw all others into the shade. A conference of bankers in New York announced (on September 9th) their intention of forming a "gold pool" of 100 millions, of which twenty-five were to be sent to Ottawa forthwith. No public statements are issued in regard to the total amount of gold held here, but the scale of it may be readily conjectured from this intimation. Besides the immediate financial benefit to those concerned, the plan has a moral advantage, both here and in the States. It goes far to create the impression that the wheels of commerce may now move freely again, so far as they depend on the movements of gold to and from the Bank of England.

THE PROSPECTS OF MONEY, NOVEMBER, 1914.

IN the last issue of this JOURNAL I attempted a critical narrative of the financial events of last August. My purpose in this article is not to correct my former narrative, where it requires correction, and only incidentally to continue it; but rather to consider some special aspects of the present situation, and to cast a forward glance into the near future.

I.

The particular method adopted by the Government to relieve the situation, arising out of the difficulties of the Accepting Houses, has rendered the position of the Bank of England very abnormal. The interpretation of the various items in the Bank's return and the influence of the Bank Rate are not the same as they were; and rules of thumb have lost their value. The indirect effects of our suddenly calling in, or attempting to call in, much of the money we had lent abroad, and the establishment by the Treasury of a separate note issue, have further limited the application of former habitual maxims. We need, therefore, to return to first principles more than usual.

In order to understand the present position of the Bank of England, it is necessary to begin with the Accepting Houses. This is not because the Accepting Houses are to be regarded as the prime cause of the Money Market's difficulties. It is because the peculiar organisation of the London Money Market, and the distinctive position occupied in it by the Accepting Houses, causes problems, which the breakdown of foreign remittance and the sudden attempt of London to stop lending must have brought forward in some form or other anyhow, to present themselves in the guise of Accepting House problems.

The Accepting House question can be analysed into three distinct elements:—(1) In August some of them were unable to meet the bills falling due immediately. (2) The uncertainty resulting from (1), as to whether bills falling due one or two or

three months hence would be met, made such bills temporarily unmarketable. (3) A similar uncertainty as to the future solvency of the Accepting Houses, or of some of them, rendered their new acceptances unmarketable, or less marketable than before.

These difficulties arose in an acute form and were dealt with by the Treasury in the order in which I have named them. The first was met by authorising an optional postponement of the due dates of bills. There were three proclamations governing these postponements, of which the total effect was to postpone for two months and fourteen days bills originally falling due between August 3rd and September 3rd,[1] for one month and fourteen days those of dates from Septemer 4th to October 4th, and for one month all other bills of whatever later maturity, which had been accepted before August 4th. Thus October 18th (in effect Monday, October 19th) was the first day on which any pre-August 4th bills, namely those of original date September 4th, became compulsorily due. And on November 5th, as an example, the bills of August 22nd, September 22nd, and October 5th all became due. For the period of these postponements interest was payable at bank rate.

This gave the Accepting Houses time, but it aggravated difficulty (2), because, by adding bills, which ought to have been paid, to those not yet due, it increased the volume of unmarketable paper in the hands of Banks and Discount Houses. The degree of this was intensified because all, or nearly all, the leading Accepting Houses availed themselves of the first postponement, regardless of whether they were, in fact, able to meet their due bills if necessary. There had to be some understanding, therefore, as to what was to happen to the bills when, after all the successive postponements had taken effect, they finally and eventually fell due. It was for this purpose that the Government took the bold, and possibly expensive, step with which everybody is now familiar. They authorised the Bank of England to lend, on application, to the acceptors of approved bills, sums at two per cent. above bank rate sufficient to meet their bills; they guaranteed the Bank of England against possible losses arising out of the eventual insolvency of any such acceptors; and they waived any claims they might have had, in the event of such insolvency, against other parties to the bills.

This relieved the Banks and Discount Houses of possible bad debts, and rendered marketable the great bulk of pre-August 4th

[1] With this slight modification that bills originally due on any date between August 3rd and August 7th were postponed until October 21st.

bills. But it aggravated difficulty (3). For the liabilities of Accepting Houses on account of pre-August 4th bills being postponed, but not liquidated, their credit for backing new post-August 4th bills was much impaired. So the further concession, following, was required to complete the cure. In cases where bills were met with money borrowed from the Bank of England, funds recovered from time to time from the clients, on whose behalf the bills had been accepted in the first instance, must go towards the repayment of such loans. But in cases where clients do not remit, the Government, acting through the Bank of England as agent, waives its claim against the acceptor's own assets until a year after the end of the war; and even then claims against these assets, arising out of new bills accepted between this time and that, are to rank in front of the Government's claims.

This would appear to make the credit of the Accepting Houses, for backing new bills, as good for the present (whatever it may be when the eventual day of reckoning comes) as it was before the war. I understand, however, that the cure was not at first complete. The new acceptances of Houses, whose pre-August 4th business was covered by the Government's scheme, were not all as favourably regarded as before, and bank acceptances commanded more than their former premium. There are three possible explanations of this. The buyers of bills (*i.e.*, primarily the Clearing Banks) may have come to the opinion that their former trust in some of the Accepting Houses, quite apart from the war, had been exaggerated. Or perhaps the Accepting Houses, unwilling to borrow from the Bank of England at so high a rate as 7 per cent., have used up some of their own assets to meet pre-August 4th bills, in which case they would have less than before with which to back new bills. Or, on the other hand, the explanation may merely be that the Money Market did not distinguish as clearly as it might between the present position of the Accepting Houses and their possible future position when, a year after the end of the war, they must settle up. Possibly all these influences have helped to produce the observed result.

II.

We are now in a position to return to the Bank of England. It is not obvious why any of the measures described above should have much affected the Bank's returns. Nor need they have done so, prior to the ultimate maturity of the bills, and then

only to the extent by which the Accepting Houses might take from the Bank of England the expensive assistance offered them. That these measures did have so marked an effect on the Bank's returns was partly due, I think, to a confusion of ideas. This confusion was between making bills marketable and actually marketing them.

It was natural that the banks should be anxious to make sure which of their bills would come under the guarantee, and so be immediately marketable in case of need. But it was not natural that they should actually market the bills (and specially unnatural in the case of the clearing banks, who had, most of them, a long, unbroken tradition against rediscounting bills once purchased), unless they needed the money. A certain amount of extra cash was needed in order to make the additions, which the banks thought necessary, to the usual till money held at their numerous branches. But the actual rediscounting of bills at the Bank of England went much beyond what was required for any such purpose. The money market supplied itself with far more funds than it could profitably employ. Thus there was the strange spectacle of banks and others discounting at 5 per cent. bills which had a Government guarantee, and which could be discounted with equal facility at some later date, and using the money in buying to yield about 3½ per cent. bills, which were without a Government guarantee. This was not, on the face of it, good business.

There may possibly have been some difficulty in discovering what bills would be approved without actually discounting them. If this was the case, the Treasury and the Bank of England were to blame. No object, except that of increasing the profits of the Bank of England, could be served by pressing the money market to sell bills; and it would have been possible to make arrangements for the Bank of England to approve bills or to issue a plain statement as to what bills would be approved without actually buying them. That the Bank of England was a little inclined to press the money market to discount, rather than to pursue, as they probably ought, the opposite policy, is suggested by a notice which was posted up at the Bank of England on September 29th.[1]

[1] "In order to avoid possible disappointment, those who wish to avail themselves of the arrangement for discounting pre-moratorium bills at the Bank of England are invited to send in their applications without delay. It is not found possible to undertake to discount bills having less than three clear days to run." It is not plain whether the phrase "possible disappointment" refers to bills having considerable periods to run or only to bills having "less than three clear days"; and it seems to run the risk of bluffing timid holders into parting with good security at what was, at the market rates of the day, a somewhat unfavourable price.

Even if it be true, however, that the Bank of England was anxious to buy at 5 per cent. bills guaranteed by the Government, and that the Treasury did nothing to hinder the play of this natural instinct (it is always difficult to remember when the Bank of England is a truly national institution, as it has several times shown itself in recent months, and when a private one out, like any other, for profit), it still appears on the surface that the outside market played into their hands more than was necessary. Most bills fall into a certain number of well-defined classes, and it should have been possible by re-discounting samples at the Bank of England to determine with reasonable certainty that many important lines of bills would unquestionably fall into the category of approved.

For whatever reason, many more bills were sold to the Bank of England than was necessary to supply the Market with what additional funds it really required. In any case, the grant of assistance to the Accepting Houses direct, instead, for example, of encouraging the other banks to give some assistance under a guarantee, was bound to lead to such superfluity sooner or later. This is the point to which the reader's close attention is now invited.

The growth *pari passu* of the "other securities" at the Bank of England (the heading under which the Bank's holding of bills is returned) and of the "other deposits" is shown below :—

	Other Securities.	Other Deposits		Other Securities.	Other Deposits
	£	£		£	£
July 22	33,732,762	42,285,297	Sept. 23	110,732,658	125,267,316
,, 29	47,307,530	54,418,908	,, 30	116,819,799	137,287,173
Aug. 7	65,351,656	56,749,610	Oct. 7	113,894,148	146,646,768
,, 12	70,786,596	83,326,113	,, 14	109,715,402	138,828,702
,, 19	94,726,086	108,094,287	,, 21	108,787,978	143,058,390
,, 26	109,904,670	123,892,659	,, 28	104,868,463	126,736,526
Sept. 2	121,820,692	133,818,826	Nov. 4	104,904,925	140,293,123
,, 9	116,922,759	130,704,462	,, 11	105,091,369	137,286,671
,, 16	113,792,525	135,042,071	,, 18	107,103,442	147,334,725

Thus the "other securities" were from £70,000,000 to £80,000,000 above the normal. At the same time the "other deposits" were from £90,000,000 to £100,000,000 above the normal. The latter fluctuated up and down as the proceeds of each batch of Treasury bills were first called up and then spent. This item was also affected by the large imports of gold from abroad, in consequence of the calling in of foreign loans. These balances were additional, it must be remembered, to nearly

£48,000,000 additional legal tender currency (gold, bank notes, and Treasury notes), which found its way into the hands of the Banks and the public.[1]

Amongst the various consequences of this inflation of the "other securities" and the "other deposits," three are discussed below, the first of minor importance, the other two worth close attention.

(1) The profits of the Bank of England were very largely increased, at the expense of long hours to some of its permanent officials, but subject to no risk or other outgoings whatsoever. The Bank was privileged to charge at the rate of five per cent. per annum for entering book credits, subject to Government guarantee against eventual loss. The amount of abnormal book credits of this kind stood during September and October at an average of about £80,000,000. These advances were bound to remain book credits for reasons given under (3) below. If this state of affairs went on for a year, the Bank of England would make £4,000,000 profit. This will not happen, and we cannot yet say how much the Bank will make. But its gains from this source should certainly exceed £1,000,000, unless by some private arrangement the Treasury has covenanted for a share. Some part should surely flow, in equity, to an Insurance Fund against the risk of capital loss which the Treasury has agreed to meet. The Bank's gain has been at the expense of the other elements of the Money Market. The Bank of England has profited so largely in part from their necessities, in part, perhaps, from their confusions. The Banks and other institutions which have refrained from discounting more pre-moratorium bills than was necessary must now be congratulating themselves on superior insight.

(2) As soon as the outside market (*i.e.*, the Banks and the Discount Houses) is provided with funds at the Bank of England for some other reason than that it wants the money, Bank Rate ceases to possess its usual significance. Bank Rate

[1] The amount of this is surprisingly large. So far from the issue of £34,000,000 of Treasury Notes having caused a reflux of gold coin from the country to the Bank of England, there has been, since the middle of September, a small but steady dribble of gold out of the Bank into the country. This is difficult to explain. Unless the Banks or the public are hoarding to some appreciable extent, for which there is no evidence and no occasion, it is natural to surmise a surreptitious export of gold, in moderate amount, out of the country. But for the concealment of such export there seems equally no occasion, unless—which is not to be supposed—the Bank of England has been placing clandestine obstacles in the way of the export of gold. In any case, however difficult it may be to explain, there is nothing whatever to regret in this small wastage of coin.

governs Market Rate in normal times, sometimes with great and sometimes with diminished effectiveness, because, broadly speaking, the Market hesitates to embark at rates too much below Bank Rate on business which it is not absolutely sure of being able to finance to its conclusion without recourse to the Bank. As a rule, also, Bank Rate governs the rate of interest allowed on deposits by the Clearing Banks and Discount Houses. Lately the Bank Rate has lost both these powers, the loss of the second being consequent on the loss of the first. Market Rate now bears no particular relation to Bank Rate. The latter rate has no special significance, except as governing the amount of profit chargeable by the Bank for taking over pre-August 4th bills, and as governing the rates to be paid by sundry classes of persons availing themselves of various pieces of emergency legislation. There is now no central control over Market Rate, which finds its own level.

So far this has done no harm. The Banks have not been tempted to abuse the excessive ease of the position in which they find themselves. They have been criticised, rather, for making insufficient use of it and for hoarding what has been placed at their disposal. But it is natural to be nervous, lest those who have gone to one extreme may at another time go to the other. The Banks may grow tired of holding huge sums idle at the Bank of England, and may begin to wish to turn them to more account. If the Allies score some notable success and a spirit of optimism rules, the Bankers may turn round and say, "We have been accused of not lending freely. Let us show how false this charge is." That will be a dangerous moment. For a large part of the sums now standing to the credit of the Bankers at the Bank of England is purely artificial. It would have been right to employ these funds with much freedom to ease our financial machinery at the crisis. But so to use them later on will be nothing but inflationism. Bankers, if they are wise, will lend freely to us when we are depressed, and deal with us somewhat strictly when we are cheerful. The position, therefore, would be safer if the market rate were higher, and if it were generally believed that bank rate, which still exerts, as I should have said above, some slight psychological influence and which may be expected to become effective again some day, was more likely to go up than down.

The fundamental consideration governing the whole position, one too apt to be forgotten, is this :—However much the Clearing Banks lend to their customers (save under certain conditions to

be mentioned when I deal with this in more detail below), it will not in the least diminish the aggregate of the free balances held by them at the Bank of England. At the most it can only affect the names to whose credit these balances stand. It should be engraved along the façade of the Bank of England, and embroidered on the gold bands round the top hats of the attendants, *that the Bank of England's balance sheet balances.* When, therefore, a Clearing Bank, on the strength of having a large balance at the Bank of England, lends to its customers, the primary effect is to leave unaltered the aggregate deposits in the books of the Bank of England, since nothing has necessarily happened to diminish the Bank of England's assets. On the other hand, it is likely to increase the deposits in the books of the whole body of Clearing Banks. It is natural to think of a Bank's loans as being the children of its deposits. But it is at least as true to think of the deposits as being the children of its loans. No action is calculated to diminish the liabilities of the Bank (*i.e.*, its deposits), unless it is calculated to diminish its assets also.

(3) This leads me to the third topic. If the difficulties of the Accepting Houses or of the Stock Exchange or of the creditors of enemy aliens are relieved by providing them with balances at the Bank of England, additional to what was there before, the effect is radically different from what would have been the effect of relieving them in some other way. It is analogous (with differences) to the effect of an issue of paper money.

When a Bank or a Discount House takes a bill to the Bank of England, on the face of it this is simply a change of one kind of asset for another, namely, a bill of exchange for a credit in the books of the Bank of England. But more has happened than this. For in two important respects the new asset differs from the old. In the first place, it reckons as "money" and supplies, in the mind of every banker, a more proper foundation for entering into new business than the bill afforded, because every banker regards the ratio to liabilities of cash at the Bank of England differently from the way in which he regards the ratio to liabilities of bills in his portfolio. In the second place, it earns no interest and is an asset "lying idle," whereas the bill is bringing in a due return; and hence an inflated credit at the Bank of England not only supplies the Joint Stock Banker with what he regards as a proper basis for new business, but it also stimulates him to take advantage of this, because otherwise he will be losing money.

A bill of exchange represents, of course, an advance of money to someone. If the Joint Stock Banks hold £50,000,000 of bills, they have in effect lent this money to someone. If they turn over these bills to the Bank of England in exchange for a book credit, the someone is still in the position of having borrowed the money. If, on the strength of a book credit of £50,000,000 at the Bank of England, they were to make new loans of £30,000,000, which, according to the usual rule-of-thumb principles, would be very moderate, there would be total loans outstanding of £80,000,000 where there were £50,000,000 before. By a paper transaction an amount of lending has been made to appear safe which did not appear safe before.

Now, the possibility of such a state of affairs is a result, as I have said above, of the particular device which has been employed to re-liquefy the bankers' assets, a device which has caused these assets to be marketed when all that was wanted was to make them marketable. If the Treasury had made guarantees available for approved pre-August 4th bills, without these bills having to leave the portfolios in which on August 4th they found themselves, so that they would only be marketed at 5 per cent. when the money was really wanted at that rate, the position would be a good deal safer.

What has happened could not have come about in the ordinary way, for two reasons. In the first place, the Bank of England would never have allowed its holding of "other securities" (and hence of the "other deposits") to reach so very high a level without protecting the position and moderating the flood of bills by charging a rate higher than 5 per cent. In the second place, the market would not have discounted vast quantities, even at 5 per cent., unless the market rate were nearly up to this.

Let me add emphatically that no visible harm has been done yet. No harm would have been done by the issue of £100,000,000 notes beyond the ordinary, so long as the Banks hoarded them. But the position has in it an element of danger and needs careful handling. The present ease of the money-market is artificial and ought not to be taken advantage of to any great extent. And, above all, it must be remembered that the effect of the Joint Stock Banks beginning to use their inflated balances at the Bank of England will mainly show itself, not in a diminution of these balances, but in an increase of the Joint Stock Bankers' own deposits.

This last point is one which I have been at pains to emphasise more than once, and it must now be treated in detail. *The*

Bank of England's balance sheet balances. It is impossible that there should be a change in one item unless there are corresponding changes in others. The return for November 4th was roughly as follows :—

Capital and Rest	...	£17,700,000	Govt. Securities	..	£17,200,000
Public Deposits	...	16,500,000	Other Securities	...	104,900,000
Other Deposits	...	140,300,000	Reserve ...	...	52,400,000
		£174,500,000			£174,500,000

The other Deposits cannot possibly be diminished, unless either (*a*) the Public Deposits are increased, or (*b*) the Government Securities are diminished, or (*c*) the Other Securities are diminished, or (*d*) the Reserve is diminished. (*a*) and (*b*) can only happen (putting aside the possibility of the Bank of England's selling Government Securities in the open market) as a result of Government borrowings, and, *even so, only so long as the current borrowings exceed current outgoings.* (*c*) can only happen if the Accepting Houses and others to whom money has been advanced are in a position to repay it. (*d*), the reduction of the Reserve, is not likely on a large scale, unless gold is taken from the Bank for export.

Thus new loans or investments made by the Banks on the strength of the large total of "other deposits" at the Bank of England can have no immediate effect in the direction of diminishing this total, *unless* the loans are (1) to the Government, or (2) to those who are in debt to the Bank of England and are employed by them in paying off these debts, or (3) to foreigners under conditions which lead the foreigners to take the proceeds of the loan out of the country in actual gold. Many classes of loans likely to be made by the Banks do not fall under any of these heads. And even in the case of loans to the Government, the effect only lasts so long as the proceeds of the loans will stand to the Government's credit and have not been paid away. As soon as they have been paid away, the other deposits are just as high as they were before, in spite of the fact that the Banks or their customers have so much more Government scrip in their possession.

This is why the transfer to the Bank of England of large amounts of securities, which are not being paid off for some time, from the portfolios of the other Banks is, from the national point of view, more than a bookkeeping transaction. It involves a creation of "money." The effect of the transfer is both to render possible and to stimulate an increase of loans; yet such an increase of loans will not necessarily diminish for a long time to come the apparent ease of the market. Hence the possibility of inflationism.

What has happened has analogies to the policy which has been deliberately pursued in Germany and which we in this country have rightly criticised. If the Money Market take £90,000,000 trade bills to the Bank of England and buy £90,000,000 Treasury bills with the proceeds, the net result is substantially the same as if they had kept the trade bills and the Treasury had borrowed £90,000,000 from the Bank of England. I think the Banks were wrong to be so eager to get quit of their former engagements, and, incidentally, did bad business for themselves (those of them, that is to say, which actually liquefied their assets beyond their immediate needs). But it is not desirable that, when the reaction towards optimism comes over them, they should seek to recoup these losses. Their present balances at the Bank of England ought not to be regarded in quite the same light as balances there can usually be regarded. Otherwise we may use up our margin of safety in the extension of bank credit, which at present is fortunately large, before we need.

The various arrangements made by the Treasury, on the eve of the expiration of the Moratorium on November 4th, for Bank of England advances in connection with certain Stock Exchange loans and with alien indebtedness to traders, have accentuated, though on a fairly moderate scale, the state of affairs arising out of the assistance given to Accepting Houses. On the other hand, these advances will gradually be paid off. We may hope that the item "other securities" may diminish week by week, and that a natural cure will gradually be effected. Everything ought to be done, that can be, to diminish the aggregate of the "other securities."

I seek to corroborate by theoretical considerations the view, which is now widely held by responsible financiers, that the present ease of the Money Market is artificial and not at all to be relied on.

III.

The next question, to which the present state of the Bank of England's Return invites our attention, is one of absorbing speculative interest and, much sooner, possibly, than most people think, of enormous practical importance. I mean the future of gold and of gold reserves, here and elsewhere in the world. In what follows I shall come later, after a wide and speculative survey, to the Bank of England herself.

During the last fifteen years the stock of gold available for monetary purposes has been largely increased—certainly by more

than 50 per cent. This gold has been absorbed without a revolutionary effect upon prices, because a great number of countries have taken the opportunity to put their currency arrangements on a new basis. These new arrangements have involved the accumulation of a very large amount of gold, held as reserve, in the central banks of the world and in the Treasuries which act as central banks. The amount so held has increased from about £500,000,000 in 1900 to about £1,000,000,000 at the outbreak of war.

The object of these accumulations has been only dimly conceived by the owners of them. They have been piled up partly as the result of blind fashion, partly as the almost automatic consequence, in an era of abundant gold supply, of the particular currency arrangements which it has been orthodox to introduce. The actual amount of gold held in reserve has been in only a very few cases the result of a deliberate choice. In most cases there is little or no reason for thinking it politic that the gold reserve ought to be at the figure at which it actually is, rather than at some other figure. The ratios of gold to liabilities vary very extremely from one country to another, without always being explicable by reference to the varying circumstances of these countries. Ratios, which began by being little more than the results of chance, have been sanctified by time. Occasionally a country has taken panic and revised its ideas of what was proper, as Germany did in 1913, when bankers, having alleged that the gold position of the Reichsbank (whereby they really meant the position of Germany in the international short loan market) did not permit of war, the General Staff, knowing more of ammunition than of credit, naturally retorted that the necessary amount must be quickly accumulated which would permit of war. Yet the arithmetical significance of the precise figure, which now measures Germany's gold stock, is not obvious.

The contingencies, against which a gold reserve is held, are necessarily so vague that the problem of assessing the proper ratio must be, within wide limits, indeterminate. It is natural, therefore, that bankers, who must act one way or the other, should often fall back on mere usage or accept that amount of gold as sufficient which, if they are chiefly passive, the tides of gold bring them. At any rate, the management of gold reserves is not yet a science in most countries. There is no ideal virtue in the present level of these reserves. Countries have got on in the past with much less, and under force of circumstances could do so again.

The reasons for holding a central gold reserve are two—to preserve the parity of the internal currency by releasing gold when this is required to steady the foreign exchanges, and to provide funds wherewith to make urgent purchases abroad when nothing but gold is acceptable in payment.

Unless it is intended in certain contingencies to use the reserve, the reserve can be no use. This doctrine, which is the orthodox English doctrine, is not generally accepted, however, in most other parts of the world. In these other parts a gold reserve is thought of as being some sort of charm, the presence of which is valuable quite apart from there being any idea of dissipating it,—as the emblem, rather than the prop, of respectability. It would be consistent with these ideas to melt the reserve into a great golden image of the Chief Cashier and place it on a monument so high that it could never be got down again. If any doubt comes to be felt about the financial stability of the country, a glance upwards at the image will, it is thought, restore confidence. If confidence is not restored, this only shows that the image is not quite big enough.

All of the above might have been written before the war. But the war, on the one hand, has provided many illustrations of this image worship, and, on the other, excites the inquiry whether extreme force of circumstances may not compel the worshippers to strip off from Pallas Athene her covering of gold and ivory. What will happen then? What will happen if the countries of Europe begin to use their gold reserves? To this obstinate question I can find no reassuring answer.

For reflection establishes this paradox, that the stability of the value of our monetary standard is largely supported on the broad back of ignorance. And if nothing could dislodge ignorance but knowledge, it would rest there very securely. Unhappily, the sheer force of circumstances may intervene otherwise.

While it is to the interest of any one nation to use its reserves, it is not to its interest that many other nations should use their reserves simultaneously. For what is to become of the gold? We may in difficult times need a little more of it than usual. But if the State Banks of Europe were to disgorge hundreds of millions, what should we do with them?

At the end of July, 1914, the following stocks of gold were held amongst others :—

Bank of England ...	£38,000,000	Bank of Germany ...	£68,000,000
Bank of France ...	£166,000,000	War Reserve of Germany	£10,000,000
Bank of Russia ...	£160,000,000	Bank of Austria ...	£51,000,000
U.S. Treasury	£245,000,000	C. of Argentina £40,000,000 C. of Brazil	£10,000,000

Immediately on the outbreak of war all these institutions, with the exception of the Bank of England and the Treasury of the United States, formally suspended the encashment of their notes in specie. Even the Dominion of Canada suspended specie payment. Nor did the currency system of the United States, in spite of so immense a stock of gold, permit the free export of any considerable amount or avail to maintain the international parity of the dollar.

In short, these countries hoarded their gold. Deliberately they did not use it for one of the two purposes for which it is reasonable to keep a reserve, namely, to preserve the parity of the internal currency by releasing gold when this is required to steady the foreign exchanges. In the cases of Argentine and Brazil the gold reserve cannot possibly serve any other purpose. That they should have chosen to depreciate their currency, repudiate or risk their international engagements, and throw their finances into confusion, while the one still held more gold than the Bank of England and the other a sum which was still substantial, is only to be explained by a native affinity or predilection, to which former generations, as well as the present, bear witness, for whatever is unsound and treacherous in affairs of currency. It was to be expected. It cannot be justified.

But what are the other countries thinking of? In their case the second purpose of a reserve may possibly be in view, namely, to provide funds wherewith to make urgent purchases abroad when nothing but gold is acceptable in payment.

In a famous passage of the *Wealth of Nations* Adam Smith observes how seldom, even in his time, it was necessary to accumulate gold and silver in order to enable a country to carry on foreign wars. "The last French war cost Great Britain upwards of ninety millions. . . . More than two-thirds of this expense was laid out in distant countries; in Germany, Portugal, America, in the ports of the Mediterranean, in the East and West Indies. The Kings of England had no accumulated treasure." It is useful to remember what huge sums this country could afford to spend on foreign wars in the middle of the eighteenth century. It is also useful to notice of what long date is our capacity to finance such expenses without the assistance of great treasure. But how far is the like true of other countries?

Adam Smith qualified what he said thus:—"Mr. Hume frequently takes notice of the inability of the ancient Kings of England to carry on, without interruption, any foreign war of long duration. The English, in those days, had nothing where-

withal to purchase the pay and provisions of their armies in foreign countries, but either the rude produce of the soil, of which no considerable part could be spared from the home consumption, or a few manufactures of the coarsest kind, of which, as well as of the rude produce, the transportation was too expensive. . . . It is in such countries, therefore, that the Sovereign generally endeavours to accumulate a treasure, as the only resource against such emergencies. Every Tartar chief has a treasure." "In the present times," he was able to add, "if you except the King of Prussia, to accumulate treasure seems to be no part of the policy of European princes." In the deliberate accumulation of war treasure the King of Prussia, nearly 150 years later, still illustrates the continuity of national ideas. But other princes, through central banks and their control over them, have come very near to the accumulation of war treasure.

It has, therefore, to be considered whether such conditions, duly modified, as in the opinion of Adam Smith characterised only the remoter past and the less civilised races, affect any modern nations and render useful in modern war a reserve of treasure. Possibly they do. The more complete commercial blockades of modern war, the vastly greater diminution of industrial productivity which, in conscript countries, war now brings with it, and the absolute necessity of buying certain essential raw materials from abroad, even when war is being waged near home, may well bring it about that at the later stages of a war a country may be utterly unable to make necessary purchases from abroad otherwise than with hard cash.

In the cases of Russia, Germany, and Austria—I leave France on one side as, her currency being still undepreciated, the problem, though possibly of much future importance, is far less urgent—I hold two general conclusions to be established.

These three countries, in spite of their very large reserves of gold, have deliberately abandoned the first of the two purposes for which it is rational to hold a reserve. They have, within a brief period from the outbreak of war, allowed their respective currencies to fall to a discount of not less than ten per cent., as measured by the exchanges, for the purpose of making payments abroad. In the case of Germany the gold reserve has been lately increased at the expense of deliberate effort. It must be presumed, therefore, as at least possible that these reserves are held for some purpose, besides what psychological advantage can be derived from the reputation of possessing so considerable a sum. What can this purpose be except the intention of

parting with the gold at some later stage of the war, when the importation of goods from abroad is urgently necessary and otherwise unattainable?

But, secondly, even if no such rational intention is now present to the minds of the ruling authorities of these countries, the extreme force of circumstances may lead them to act thus. The depreciation of the exchanges is not merely something rather discreditable to the national reputation and inconvenient to the world of bankers. It is the symptom of a difficulty, and an increasing difficulty, in making purchases abroad. A point may very easily come, and come suddenly, when it is virtually impossible to make any purchases at all, unless something is exported to meet them. And nothing may be readily available for this but gold. There are many countries from which it is physically and geographically possible for Germany to purchase goods; it is important not to exaggerate the degree of the commercial blockade. But how is she to pay for them? The state of the exchanges shows that, without the shipment of gold, she finds this increasingly difficult.

In short, countries on either side in the great combat may deliberately intend to disgorge their gold. And if not, yet circumstances may force them to.

Further, signs are already showing that the steady dribble of gold from the great reserves of Europe has even begun. Early in November came the extremely significant news that Russia had shipped £7,000,000 to London. Germany is alleged to have sent a substantial sum to Turkey, and, more lately, there are rumours of gold for Amsterdam. If these things are not true yet, they soon will be. Month by month we may expect a dribbling stream of gold from Russia, Germany, and Austria, and later on, too, if the struggle is prolonged, from France.

Who is going to take this gold? Where is it going to? It comes on a world already surfeited with gold, a world urgent for goods, not money. I do not believe it can be absorbed, in the way that so much of the new gold of the last fifteen years has been absorbed, by natural new demands without a revolutionary change in the value of money.

It is worth while to think in turn of the possible sources of demand for it. The United States are about to embark on a reformed system of banking, which is likely rather to economise the use of gold—of which they already hold a stock which ought to be amply sufficient with wise arrangements—than to demand an influx of more. The capacity to take gold of Canada and of

the countries of South America, especially the latter, chiefly depends on their power to borrow from abroad. With the real free capital of the world absorbed and depleted by the demands of war, these countries ought not to be in a position to take large amounts for a little time to come. Only an artificial monetary ease, producing the illusion of abundant free capital, can make it possible for these countries to borrow soon on their former scale. This year, for the first time, Egypt has attempted to economise gold by the wider use of a paper currency. Turkey has placed herself *hors de combat*. There is no probability that India can absorb more than usual, if as much. China is far from taking effective steps for the introduction of a gold standard. The rest of the world is at war. At the same time the gold-mines of the world continue to produce at the rate of about £90,000,000 a year, with most of the former outlets for it closed.

The illusion that all we want for safety is much gold may be dispelled, therefore, by the unanswerable force of events. Gold may possibly come in unprecedented quantities on a surfeited and unwilling market. Precisely at that moment of time when the world is most short of real capital, there will be the greatest appearance of monetary ease. The coincidence of an extreme abundance of money with an extreme urgency for goods must necessarily bring with it a greatly diminished purchasing power of the former.

In this kind of matter prophecy is not to be undertaken. Very likely the countries of Continental Europe will keep and worship their golden images to the utmost limit of time within their power. If the war is short, they may be able to retain nearly the whole of their hoards. Even if the vanquished are compelled to pay away indemnities, it is possible, though vastly improbable, that they will still wish and be able to keep their gold.

But, on the other hand, some dribbling away of gold, on a sufficient scale to produce an artificial sense of ease in the money markets of the rest of the world, appears to me almost certain. And it is at least possible that it may be on such a scale as to jeopardise the continuance, as well as the stability, of an unregulated gold standard.

IV.

From the time of Ricardo, at least, many economists have believed that civilised countries expose themselves needlessly to sudden and arbitrary disturbances of their social and economic systems by leaving fluctuations of the monetary standard outside

their control, when they might be within it. It is easy to invent modes of regulating the value of the standard which, however far from perfection, are at least better than what we have at present. To innovate in matters of currency is practicable, as soon as people in general believe it to be so. The intellectual and scientific part of the problem is solved already. Only the will and the belief have not yet come. Nor is the world of statesmen and financiers, upon whom this matter depends—for the change would be of a kind which would escape the notice altogether of most ordinary people—to be too much blamed for it. Most innovations and nearly all paradoxical opinions in matters of currency are foolish and dangerous, and deserve a deep distrust. And for those who have not made a special study of the subject it is hard to distinguish between one thing and another. A catastrophic change, however, affecting the gold standard will make it necessary so to distinguish.

It is, therefore, a possible consequence of the present war, more likely in proportion as the war is prolonged—I cannot say that I yet think it probable—that some international regulation of the standard will be forced on the principal countries of the world. If it prove one of the after-effects of the present struggle, that gold is at last deposed from its despotic control over us and reduced to the position of a constitutional monarch, a new chapter of history will be opened. Man will have made another step forward in the attainment of self-government, in the power to control his fortunes according to his own wishes. We shall then record the subtle, profound, unintended, and often unnoticed influences of the precious metals on past historical events as characteristic of an earlier period. A new dragon will have been set up at a new Colchis to guard the Golden Fleece from adventurers.

V.

This, however, is to speculate too deeply. We can be content with much narrower and more certain inferences from what we see happening. I return, therefore, to more solid ground.

Those who are inclined to be guided by past experience must not forget that in one respect of the utmost importance the present monetary position is absolutely without precedent. It has never happened before at a time of crisis that those countries, which are under the most urgent necessity of remitting in cash for what they owe or for what they need to purchase, have

possessed vast quantities of gold wherewith in the last resort to make such remittances. The volume of credit currency of one form or another which is now in use is, of course, much greater than at any former time. But the process, which has been going on during the last twenty years and which the abundance of gold has made possible, of putting most of the fiduciary currencies of the world on a "sound" basis by supplying large central reserves of gold for their support, has the effect of *increasing* at a crisis the available stock of gold. For it is possible at a time of strain to expand the fiduciary currencies in the old-fashioned way and at the same time to release the gold, returning to the former relatively "unsound," but perfectly feasible, basis. For some time past, therefore, I have believed that the next crisis would be marked, especially in its later stages, by an over-abundance of gold and not by a shortage of it, and that those who direct all their anxieties, to collecting what extra gold they can at such time, are paying too little attention to the radical change of conditions. At the present time the restriction of bank credit, which marked the early stages of the crisis, is made up for already by the increased issues of fiduciary currency, which is to be seen in nearly all the countries of the world, including our own. It will be far more than made up for, as time goes on, by the release of gold from the reserves of those countries which are in financial straits.

These general considerations I wish to apply to the position and policy of the Bank of England. At the outbreak of war the Bank's reserve of gold was normal, and anxieties were expressed in some quarters as to its sufficiency. The actual course of events during August have been described in my former article. From the outbreak of war up to November 18th, the amount of gold placed to the credit of the Bank of England from foreign sources (including gold "unearmarked" on Indian account) was £55,000,000. Of this £12,500,000 was "earmarked" by the Treasury for the Currency Note Redemption Fund. On November 18th the Bank of England's stock of gold stood at £72,000,000, an absolutely unprecedented amount.

I believe that the risk of the Bank of England's reserve falling below the normal in the near future may be absolutely neglected. The much more real danger is of an opposite kind. Gold may accumulate in such amounts as to make it exceedingly difficult for the Court of the Bank to maintain the rates for money at a suitable level. The authorities of the Bank ought to deprecate, and not encourage, the receipts of more gold from abroad. They

will have their work cut out, anyhow, to maintain rates and to prevent the demoralisation which the over-abundance of money, at a time of under-abundance of real capital, is likely to cause. Further receipts of gold will merely add to their difficulties.

The artificial ease of the money market has, of course, some compensating advantages. It facilitates Government finance, for example. It encourages confidence at a time when natural tendencies might be too nervous. It may even assist in the industrial adjustment at the end of the war, and moderate, for the moment, the amount of unemployment to be anticipated otherwise. But, even so, it is too dangerous, and the penalties of it will be excessive.

VI.

Let me bring together the two main contentions of this article. In this country, as elsewhere, there has been a large creation beyond the ordinary of artificial credit money, which here has mainly taken the form of book credits at the Bank of England. The excessive ease in our Money Market thus created may, as the grounds for optimism are increased, bring about a dangerous and premature expansion. This monetary ease is increased by the large amounts of gold which are being received by the Bank of England. This gold relieves the Bank of a possible danger—a danger on which, in present circumstances, too much attention is concentrated—by making harmless one possible after-effect of expansionism, namely, a drain of gold for abroad. But it greatly increases the danger of lending at home much in excess of the real capital available, and prolongs the disastrous effects of mal-adjustment, at the same time that it increases them.

The flow of gold into this country and the danger lest expansionism, being local, be therefore concentrated, are both affected by another influence—the sudden change in the degree of our willingness to lend money abroad. We are demanding repayment in some cases, and we are refusing to make new loans in nearly all. Indeed, this is the prime cause of the difficulties of several sections of the Money Market. For reasons which are too obvious to require explanation, the abundance of money at home is not stimulating, as it usually would, the subscription of capital for abroad. This policy of reluctance, while necessary in some degree, has gone, I believe, much too far. When the security is good and the conditions otherwise suitable, it is desirable, in the interests of our

financial stability, that such loans should in moderation be made. The advantages of this policy may be thus summarised :—

(i) Only thus can the foreign exchanges be fully restored, and the difficulties be removed of those who cannot get remittance from abroad.

(ii) It may be necessary, in the course of the war, to call in capital which we had previously left abroad. But it is not to our advantage to do this at a given time in excess of our demand for *goods* from abroad. If we call in loans when we do not want goods to a corresponding value, we do ourselves, by inviting a surfeit of gold, no benefit, but rather harm ; and we put our debtors to inconvenience, and even danger. If, on the other hand, we only call in loans when we want goods with which our debtors are able to supply us, they will then, obviously, be in a position to remit what we want. Our interests and theirs—I have especially in mind the United States and our Dominions—are in this matter coincident.

(iii) A sudden and extreme divorce between the rates for money at home and abroad, in a degree which cannot possibly be *permanent*, is not safe. If we stop lending abroad too suddenly and call in loans in gold, at a moment when we do not yet want goods, and at the same time let the rates for money at home fall to a very low level, we are aiding the other existing influences which tend towards the stimulation of local inflationism. If, as I suggest may be possible, there is going to be a superabundance of gold, at least let the inconveniences of this be shared by the whole world and not unduly concentrated on ourselves.

I hold, therefore, that we ought (*a*) to keep the effective rate for money at a fairly high level, (*b*) not be over-anxious to increase our stock of gold, and (*c*) not be too unwilling to re-lend money abroad, especially for short periods, when the security is good and the conditions what would be thought in ordinary times favourable. We ought not to lend or re-lend abroad at a time or in a manner which will interfere with our capacity to take goods from abroad to the utmost extent that we require them. But where a refusal to lend or to re-lend promotes the influx of gold, then such refusal is impolitic.

Prudent financiers are likely to agree that we want to keep rates up. But they are less likely to approve one of the only two or three measures likely to aid this object, namely, the discouragement of gold imports. Wise as the policy of our country has been in this respect compared with that of any other, there are probably few connected with the City of London

who do not believe that the more gold comes in, the better for all of us. The influx of gold is too profoundly associated in the minds of financiers with safety, stability, prosperity, and wealth. The arguments on the other side—or rather not so much on the other side as for taking a middle course in this matter of gold—are in their essence too fundamental, if this is not a paradox, to be perfectly persuasive.

The path of true monetary policy is a very narrow one. Men are born of two kinds (except in South America, where all are of the second), mercantilists and inflationists—those who believe that a sufficiency of solid gold is a cure for all financial ills, and those who believe that a sufficiency of cheap credit and paper money will promote unlimited prosperity for us. Each school in turn influences the conduct of affairs. The truth lies with neither. Adam Smith began the long struggle of science against instinct in his celebrated campaign against the mercantilists. His death was followed by the most terrific experiment in inflationism that the world has yet seen. The present age, after a fluctuating field between the opposed parties, is again, on the whole, one of mercantilism. Yet that will not save us, if gold, by its very abundance, plays us false, from the evils of inflationism. The legend of Midas represents to us the fate of mercantilism triumphant.

VII.

Since the above was written, the terms of the War Loan have been announced, and I add the following postscript.

The very large amount of the Loan is not as relevant to the main subject of this article as at first sight it may appear to be. I do not see that the Loan need, except perhaps temporarily, have much effect on the excessive ease of the Money Market. In so far as the proceeds of the Loan are employed for making advances to foreign countries or to our Dominions, or are actually spent abroad, or are devoted to purchases which can only be satisfied by importations beyond the ordinary, the War Loan will have the same effect as a foreign loan in discouraging an influx of more gold into this country. The balances of bankers and others at the Bank of England, however, will only be diminished temporarily, and for such period as the instalments of the Loan are being paid up in excess of current outgoings. They are not permanently affected, except in such minor degree as may result from the Treasury's paying off advances from the Bank of England, and unless, as an indirect effect, of no obvious

probability at present, the Loan somehow enables Accepting Houses and others who have borrowed from the Bank of England to repay.

But the provision, by which the Bank of England has agreed to make advances against the scrip of the new Loan at one per cent. below bank rate, is very relevant to our subject. This is a most brilliant invention from the point of view of popularising the Loan with the Money Market and with traders, and of stabilising its price in the near future. But its indirect effects are difficult to follow out, and some of them are less obviously good.

On the one hand, the effectiveness of the nominal bank rate in maintaining rates will be further weakened. It may even prove necessary to redress the new arrangement by the Bank of England's fixing bank rate one per cent. higher than they otherwise would. I hope they will adopt this course. If Discount Houses and traders and others are habitually in the position of possessing large blocks of stock, with which they can absolutely rely on being able to borrow, if necessary, at one per cent. below bank rate, then clearly in all propositions about making a given rate for money "effective," wherever the phrase "bank rate" used to occur, we must now substitute "one per cent. below bank rate."

On the other hand, the new arrangement is calculated to make "one per cent. below bank rate" more "effective" in the near future than "bank rate" is at present. For it appears to be a direct incitement to the Money Market to employ call money, &c., in carrying War Loan Stock in preference to bills of exchange. In itself this change is undesirable, because, in spite of recent events, there is an inherent suitability in bills of exchange for such a purpose. But by providing an almost inexhaustible means of employing call money safely, the Treasury's action ought to stiffen the rates for this, and, by providing a formidable rival to bills of exchange, it ought to stiffen the rates for the latter also; so long, that is to say, as these rates are below 4 per cent., and so long as the price of the stock is not appreciably above its price of issue. When these rates rise above 4 per cent., then all is changed, money rates being now related to the net yield on Government Stock far more intimately than has been the case in recent years. When market rate exceeds 4 per cent., *i.e.*, when bank rate exceeds 5 per cent., the new stock will lose its attractions for the Money Market. Thus to raise the bank rate may directly tend in the near future to

depreciate the price of the new stock. This, I fear, may act as an argument against raising bank rate, even when the general situation requires it to be raised. It is not a good thing that the apparent credit of the Government should be too closely bound up with the effective level of bank rate.

The new Loan has several good characteristics, and includes provisions attractive to many classes of investors, without involving the Government in undue charges. But it is primarily a bankers' loan. I mean by this that the *solatia* provided by it are primarily those which appeal to bankers and financiers generally, and which were, indeed, necessary if that class was to be expected to subscribe very large sums. I believe it would have been more far-sighted if in the *first* Loan the Treasury had rested content with attracting the vast sums belonging to the public which are now lying on deposit. It is not desirable to use up what may be described as Money-Market money so early in our proceedings. The arrangement with the Bank of England, therefore, since it seems deliberately calculated specially to attract this species of funds, is, I suspect, an unwise one. We are still a very long way off the necessity of following the German example of encouraging subscriptions to our War Loan, which are not of the character of investments pure and simple, but are to provide a basis for borrowing by the immediate subscriber.

VIII.

Some critics of the article I wrote in the last number of this JOURNAL have complained that my judgment of what the Banks did was harsh, and not in all respects just. The *Bankers' Magazine* pleaded that I made no allowance for natural discomfiture in face of the unforeseen. Perhaps this was so. In one or two respects, which I hope to correct in proper detail on a later day, imperfect knowledge caused me to describe the action of the Clearing Banks, as distinguished from some other Banks, with less than fairness. But my disappointment—that our banks did not grapple with the situation more boldly and that there was called forth so little insight and personality above the normal—was that of an admirer, my complaints those of a true lover. I believe our banking system, and indeed the whole intricate organism of the City, to be one of the best and most characteristic creations of that part of the genius and virtue of our nation which has found its outlet in "business," a system and organism which, like London herself, is a work of man without, for that reason, altogether lacking

some of those attributes of spontaneity and admired disorder which we generally associate with nature. An academic writer, whose employment leads him to study and compare the banking arrangements of other countries than our own, is not likely to underestimate the advantages we enjoy. Our financial structure was so strong, and its frame so well conceived to meet a shock, that I was no more afraid for it in the first days of August than I am now. Thanks to its intrinsic properties, we find our financial strength increasing day by day, and not diminishing. We can meet all of our liabilities and can draw for our material resources on the whole world. All the more reason for relying on this strength courageously and throwing no advantages away. It was reason for some dismay to see bankers inclined to haggle when they should be constructing, and speaking feebly of "their duty to their shareholders"—though, of course, no one would have wished or countenanced anything dangerous to our Banks or opposed to the permanent interests of their proprietors—when all should have been thinking of the State.

J. M. KEYNES

NOTES AND MEMORANDA

A SEVENTEENTH-CENTURY LABOUR EXCHANGE: A CORRECTION.

IN the last issue of the ECONOMIC JOURNAL (September 1914) under the title of "A Seventeenth-Century Labour Exchange," I gave an account of the "Office of Addresses and Encounters," established in 1650 by Henry Robinson in Threadneedle Street, London. As far as I was then aware, the "Office" was an invention of Robinson himself, so that he might fairly be regarded as the founder of the earliest general Labour Exchange.

In fact, no such priority can be claimed for Robinson. His "Office of Addresses and Encounters" is taken bodily and literally from the "Bureau d'adresse et de rencontre," established by Théophraste Renaudot at Paris in 1630. I have not as yet been able to examine Renaudot's own account of his "Bureau" (contained in a MS. "Inventaire" of which two copies alone are stated to exist—in the Bibliothèque de Rouen, and the Bibliothèque Mazarine at Paris). The identity of title and functions, however, and the extracts from the "Inventaire" given in Gilles de la Tourette's biography of Renaudot (Paris, 1884) leave no doubt as to the position. Robinson's pamphlet describing his "Office" falls into the category of naked and unashamed plagiarisms not uncommon in his and in earlier times.

There is not a word in the pamphlet, from first to last, to suggest that the "very great discovery" of an Office of Addresses and Encounters was a discovery of anyone but Robinson himself. As a matter of fact, however, Renaudot first put forward the idea of his "Bureau d'adresse et de rencontre" in 1612, and himself cites Montaigne (Essays, I., 34) as an authority for his proposals. More than twenty years before, indeed, Sir Walter Raleigh had exerted himself to put some of Montaigne's suggestions into practice, and to establish a clearing house of scientific knowledge and of ideas. Renaudot, after much opposition, actually established his Bureau at Paris.

This Bureau, like Robinson's "Office," was not merely a Labour Exchange. It was a centre for every kind of buying and selling, letting and hiring, borrowing and lending; a matrimonial agency, a charities register, &c., &c. Even in regard to such a detail as the hours of business, Robinson faithfully imitated

his original—except that his "Office" was not to be open on the Lord's Day.

In one respect, indeed, there was a difference. There is nothing to show that Robinson's "Office" ever had more than a theoretical existence. Renaudot's Bureau, backed by a royal patent giving it a monopoly, was in operation as a well-established institution from 1630 to 1644 (when it was closed under the circumstances noted below). In 1639, indeed, a decree of the police authorities made it compulsory for all workmen coming to Paris to register at the Bureau within twenty-four hours. In 1647 the Bureau was to some extent revived, and was apparently actually at work three years later, when Robinson published his pamphlet.

Renaudot was a man of considerable note in his time. By profession a highly successful physician, he was in spirit a social reformer and inventor. He held for many years the appointment of "Commissaire général des pauvres du royaume." His energy was inexhaustible, and his Bureau became the centre of a whole series of new activities. To its original functions were added those of a mart and sale-room for all kinds of commodities and of a *mont-de-piété*. Later it became the scene of weekly public conferences, where every sort of question was debated. It is interesting to note that while Renaudot was prepared to use his Bureau as a register of charities available, he refused to allow it to distribute relief.

In addition to creating the first Labour Exchange, Renaudot was a pioneer in starting newspapers, pawnbroking establishments, and free medical relief (*Consultations Charitables*) for the poor. He advocated the new arts of medicine in opposition to the scholastic traditions. It was this which led him into a long and bitter struggle with the powerful faculty of doctors, in which, after the deaths of his protectors (Richelieu in 1642 and Louis XIII. in 1643), he was beaten. His Bureau was closed and he was forbidden to practise medicine. He died at last in 1653, "gueux comme un peintre," according to the sneer of his chief opponent, but not till after he had seen the triumph of his views in medicine, and the imitation of his most far-reaching innovation (the *Consultations Charitables*) by his enemies. And in our day his work may be cited to show that Labour Exchanges are really a French and not a German invention.

W. H. BEVERIDGE

AGRICULTURAL CREDIT IN IRELAND.

Report of the Departmental Committee on Agricultural Credit in Ireland. [Cd. 7375.] 1914. Pp. xvi + 407. Price 4*s.* 8*d.*

THIS is certainly one of the best things that has been published on popular credit in agricultural parts, and it appears most opportunely at the dawn of a new era in Irish agriculture. Its interest and value, however, extend far beyond Ireland, for, though national characteristics play a large part in determining the main features that are needed in popular institutions to render them effective at their best, there is much that is common in the requirements of all peasant proprietors, as there is much that is common to all human nature. The investigation undertaken has been thorough, and numerous facts have been brought to light for the first time. The excellence of the work done is due to some extent to the admirable constitution of the Committee. Among the experts are a banker, an estate commissioner, a Poor-law commissioner, Mr. Gill (of the Irish Department of Agriculture), Professor Finlay (an economist whose knowledge of co-operation in relation to agriculture is extensive), and last, but by no means least, Professor Bastable, whose insight and experience in tracing and balancing economic issues must have been of incalculable service. A beginning is made with a careful analysis of the needs of agriculture in respect of credit. These needs, it is maintained by the Committee generally, cannot be met by joint stock banks, because their methods of doing business are not now adapted to the purpose. One member, however, attaches a dissentient note on this point, though signing the main report. He regards the present facilities for obtaining credit as adequate, and draws attention to the development within the last ten or fifteen years of joint stock banking operations in Ireland. The Committee as a whole go on to argue that agriculture need not be dependent upon the resources of joint stock banks, even with the present disposal of savings, as there are large deposits in the Post Office Savings Banks in rural parts, which are now largely invested in England. By suitable organisation these savings might be diverted to the financing of small agriculturists. In the absence of this organisation, and in view of the comparative helplessness of the joint stock banks, agriculture, it is maintained, is starved for want of capital, and driven to the costly expedient of the "trust auction" system, which is fully explained in its several forms. This ruinous system, combined with long credit at shops, has taken the

place of the "gombeen man" of notorious memory, and it cannot be said that, through the change, the impecunious farmer has succeeded in jumping from the fire even as far as into the frying-pan. Aid through the Loan Fund Board (the history of which is given) is failing, and to such an extent that the Committee recommends the transference of the functions of this Board to the Agricultural Credit Section of the Department of Agriculture. As regards the land loan schemes of the Board of Works, on the other hand, there is said to be room for a more extensive recourse to them.

Co-operative credit as another expedient is minutely considered. Numerous faults were found in too many cases, for instance excessive reliance on State loans, insufficient inspection, an unwise choice of secretaries or lack of the right men, and carelessness or inefficiency on the part of the Committees; but in co-operative credit, as it exists, the Committee sees the nucleus of what is needed. Experience shows that the root of the matter in the honesty and good faith of the farmer can be relied upon. But certain reforms are suggested. Greater security must be insured, and this can be secured partly by limited liability. Again, responsibility and initiative have been weakened by the ease with which cheap loans have been got from the State. Coming to details as regards organisation, the Committee, however, loses its unanimity. All but three out of the eight members would like to see the organisation of credit societies placed under the Department of Agriculture, aided by an advisory committee representative at least of joint stock banks, co-operative societies, and the various State Departments dealing with agricultural loans. Professor Finlay, one of the dissentients, explains in a note the ground of his objection, which is in substance that State control, with all that it entails, would undermine the spirit of self-help which is the soul of co-operation. In view, particularly, of the effect of the cheap loans from the State, his contention is a weighty one; but, with the admitted need for a stringing up of the management and for greater security, forcible arguments can be adduced on the other side. Indeed, so greatly impressed were the Chairman and Professor Bastable with the latter need, that in a supplementary note they put the case for a State guarantee for the security of deposits; and any such guarantee without State control would be out of the question. In conclusion, it may be said that the work done by the Committee has paved a high-road to the solution of the problem for Ireland. All the facts have been elicited and impartially set forth; and differences in their interpretation, and in the practical judgment founded upon them

and upon expectations of the future, have been frankly stated. There are strongly marked conflicting views, but the Committee's impressive agreement on the end to be attained, and upon the general nature of the means of attaining it, may be taken as an assurance that the problem will not be allowed to rest.

S. J. CHAPMAN

THE TRADE OF INDIA IN 1913-14.

Review of the Trade of India in 1913-14. (Calcutta : Government Printing Office. 1914. Price 12 annas.)

Memorandum and Statistical Tables relating to the Trade of India with Germany and Austria-Hungary. (Calcutta : Government Printing Office. 1914. Price 8 annas.)

THIS issue of the annual Review of the Trade of India is the first which has appeared under the editorship of Mr. G. F. Shirras, who has been appointed by the Government of India to the newly created office of Director of Statistics. Mr. Shirras has revised its form in a good many respects, and has taken the opportunity to introduce several improvements. He is to be congratulated on one of the first fruits of his new appointment.

Amongst the features to which it is worth while to draw special attention is the index number of prices based on the recorded values of articles entering into foreign trade. As in this country, the value of foreign trade at the prices of the preceding year, as well as at the prices of the current year, have been calculated for India for some time past. But Mr. Shirras has now used this material as the basis of a carefully compiled index number. He finds that in 1913-14 prices were about 2 per cent. higher than in 1912-13, while the volume of foreign trade increased by about 4 per cent. The articles of export which show an important rise in price were tea, wheat, and jute, while rice and linseed fell in price. As regards the quantities exported there was an important increase in the case of raw cotton and a decrease in the cases of wheat, raw jute, and opium. In the case of raw jute there was a considerable increase in the aggregate value in spite (or because) of a considerable decrease in the aggregate volume.

It is to be wished that Mr. Shirras had compiled index numbers for exports and imports separately, and not, as he actually has done, for the two combined. When the international position of India is being considered it is much more important to know

whether a given quantity of exports is buying more or less than before in the way of imports, than to know the actual average price for the two combined in terms of money. It appears from the figures that the tendency of recent years, by which the rate of exchange has been moving in favour of India and her goods have bought an increasing quantity of the goods of other countries, has continued. It is also very important to make it quite clear to the reader that this index number is weighted according to the relative importance of different commodities regarded as articles of foreign trade, and that it is not a reliable index for expressing changes in the purchasing power of money in India generally.

In the passage dealing with the balance of trade, Mr. Shirras has gone beyond the ascertained figures and allowed himself to guess that "at least R45 crores were remitted in 1913–14 for interest and services rendered, and that some R24 crores of new foreign capital were probably at the disposal of India." I do not wish to question these figures, but the evidence on which they are based is not stated, and any such estimate must necessarily be so very doubtful that they ought hardly to appear in an official publication without more warning as to their dubious character than has been given.

The result of an inquiry into the changes in wages are of much interest. It has been found from an examination of returns supplied by leading industries—cotton (Bombay), woollen (Cawnpore), jute (Bengal), paper (Bengal), rice (Rangoon), mining (Bengal), and brewing (Punjab), that there has been a general rise in wages in these industries during 1913–14 of 3 per cent. The greatest rises are of 9 per cent. in the cotton industry in Bombay and of 9 per cent. in the woollen mills of Upper India. In spite of this rise of wages, there has been an insufficiency of mill hands in the cotton factories in Bombay. The supply of factory labour in India seems, indeed, to be extraordinarily insensitive to even considerable increases in the prevailing level of wages. Mr. Shirras concludes his account with the following summary :—"It is interesting to note that the rise in the wages of industrial labour has not been so great as in the case of agricultural labourers and village artisans. Money wages have over long periods increased in all industries, and the rise has generally been greater than, or equal to, the rise in retail prices, except in the tea, sugar, and brewing industries. An examination of Indian wage statistics during the last decade shows that this is certainly the labourer's day."

In present circumstances one naturally looks with special attention at the character of Indian trade with Germany and Austria, the figures relating to which have been collected together in a special Memorandum. Germany has been an important market for four classes of Indian products: raw cotton, raw hides, raw jute, and rice. The value of the exports of these four commodities to Germany and Austria in 1913-14 exceeded £18,000,000, and the cessation of demand from these markets must necessarily prove somewhat serious. In the case of raw cotton we have no more than an aggravation of a position difficult in any case; and the cessation of imports of German and Austrian cotton manufactures, having an annual value of more than £1,000,000, may bring with it a small compensatory influence, for these have probably competed rather with the products of Bombay than with those of Manchester. The case of rice is not important, as the export to these countries is in any case but a trifling percentage of the total production. The price of jute one would expect to be affected considerably by the loss of the German market. The trade in raw hides presents a somewhat curious feature. The export of raw hides to Germany and Austria is not less than 56 per cent. of the total export. Tanned hides, on the other hand, come chiefly to London and hardly at all to Germany. As there will be a good demand for leather, it looks as if the tanning industry in India might benefit. Another industry which may experience a temporary revival is that of the production of indigo. What was once one of India's principal exports has rapidly sunk in recent years, on account of the competition of the synthetic product, to very small proportions. Indigo production in India reached its maximum in 1894-5, and the first commercial manufacture of the synthetic dye was only made in 1897. Unfortunately, the indigo plantations have been cut down so much in recent years—the exports of 1913-14 being reduced by no less than 43 per cent., as compared with those of so recent a year as 1911-12—that it may be impossible for the industry to make any substantial response to the temporary good times now presumably in front of it.

The trade in sugar shows some features of interest. India, which is the largest producer of cane sugar in the world, producing no less than 3 million tons a year, imports in addition something like 1½ million tons. The import of sugar has increased by leaps and bounds in recent years, and while a substantial amount of beet sugar is imported, the increase is mainly due to huge receipts of cane sugar from Java

and Mauritius. This increase has been encouraged by a substantial fall in price of about 10 per cent. between 1912–13 and 1913–14. As a result of the huge purchase of sugar lately made by the British Government, as a result of the Report of the Royal Commission on Sugar Supplies, a large amount of the sugar from Java and Mauritius has been bought at a higher price than has prevailed lately, for consumption in this country. The effect will be, I expect, that the Indian consumer, who cannot afford to pay the enhanced price, will have to be satisfied with what is produced by India herself. The main burden, therefore, of the diminution of the sugar supply due to the cutting off of Austrian and German beet sugar will fall on the Indian consumer. The fact that there is this large consumption in India, which has grown up but recently, and which cannot stand any large increase of price, makes it possible to fill up the supplies needed for this country with a comparatively small advance in price. And, further, the diversion of the Javan sugar from India to Great Britain does not open any additional neutral market for the absorption of German and Austrian sugar hitherto consumed in Great Britain. As against the effect on the Indian consumer there are two advantages to be reckoned. As regards the balance of trade, the diminution of sugar imports may help to make up for the diminution of exports which it is natural to anticipate. And, secondly, the recent attempts, which are being subsidised by Government in India, to produce sugar on more economical lines and on a larger scale and with the assistance of central factories, may receive some useful stimulus. The diminution of the available supply from Java has come at a fortunate moment for the Indian sugar industry, as the example of very successful sugar cultivation in Java has just provoked attempts to imitate in India the methods which have proved so successful elsewhere.

J. M. KEYNES

GRADUATED INCOME TAX ABROAD.

Reports from His Majesty's Representatives Abroad Respecting Graduated Income Taxes in Foreign States. 1913. [Cd. 7100.]

IN 1905 the Government published Command Paper 2587, a Blue Book on graduated income taxes abroad. A desire having been manifested to bring the material up to date, a much fuller investigation was made by His Majesty's Representatives and

has been published under the above description. The reports proper comprise about 150 pages; but the Inland Revenue Department has furnished an introductory report of some thirty-four pages, classifying and summarising the information. This introduction will be found very useful. It takes up in turn the questions of graduation, of differentiation, and of special abatements. The methods of effecting progression are classified as follows:—

(a) The abatement system with a uniform percentage rate, but with a certain amount deducted from every income.
(b) A system of special categories with varying percentage rates.
(c) The tariff system with many categories.
(d) The surtax system.

The methods of effecting differentiation are classified as follows:—

(a) Differentiation within the income tax itself by means of different rates for different kinds of income.
(b) Differentiation by means of a separate general tax on the capital value of property combined with the general income tax.
(c) Differentiation by means of separate taxes on the yield of different sources of income combined with the general income tax.
(d) Differentiation by means of a property tax on the capital value of property combined with an income tax on the unfunded income only at a lower rate.
(e) Differentiation by means of allotting the assessment under a general income tax with a fraction of the value of any property possessed by the tax proper.

Instructive sections are also added on foreign incomes and the incomes of foreigners, on the taxation of companies, and on the administrative machinery.

The only criticism to be urged is the use in the introductory report of the terms "subjective" and "objective" taxes. This is a German and not an English nomenclature.

The parts themselves are fairly full and accurate. In the case of the United States no mention is made of the graduated income tax of South Carolina. The report on the whole is a distinctly useful and valuable piece of work.

E. R. A. SELIGMAN

OTHER OFFICIAL PAPERS.

Report on Changes in Rates of Wages and Hours of Labour in the United Kingdom in 1913, *with comparative statistics.* [Cd. 7635.] 1914. Price 11*d*.

THE upward movement of wages which commenced in 1910 seems to have reached its culminating point in August, 1913. From that month onwards there was some falling off. The following table (in which changes affecting agricultural labourers, seamen, and railway servants are not included) shows a remarkable concurrence between periods of rising wages and periods of low rates of unemployment. For the definition of a change in rate of wages, which is somewhat technical, the reader who would use these figures for any precise purpose is referred to page x of the Report itself.

Year.	Net Increase or Decrease in Rates of Wages per week. Years of Falling Wages.		Net Increase or Decrease in Rates of Wages per week. Years of Rising Wages.		Mean percentage of Trade Union Members Unemployed.	
	Number affected.	Amount of Decrease per week.	Number affected.	Amount of Increase per week.	Years of Bad or Declining employment.	Years of Good or Improving employment.
		£		£		
1894*	670,386	45,092	—	—	6·9	—
1895*	436,718	28,125	—	—	5·8	—
1896	—	—	607,654	26,519	—	3·3
1897	—	—	597,444	31,508	—	3·3
1898	—	—	1,015,169	80,713	—	2·8
1899	—	—	1,175,576	90,313	—	2·0
1900	—	—	1,135,786	208,588	—	2·5
1901	932,126	76,588	—	—	3·3	—
1902	887,206	72,595	—	—	4·0	—
1903	896,598	38,327	—	—	4·7	—
1904	800,658	39,230	—	—	6·0	—
1905	688,889	2,169	—	—	5·0	—
1906	—	—	1,115,160	57,897	—	3·6
1907	—	—	1,246,464	200,912	—	3·7
1908	963,333	59,171	—	—	7·8	—
1909	1,154,796	68,922	—	—	7·7	—
1910	—	—	548,938	14,534	—	4·7
1911	—	—	916,366	34,578	—	3·0
1912	—	—	1,818,240	139,404‡	—	3·2 †
1913	—	—	1,906,878	178,711‡	—	2·1
	Net weekly advance £633,458.					

In these years the fall in wages was almost confined to the coal mining industry.

† Omitting March, which was seriously affected by the coal strike, the percentage was 2·5.

‡ Exclusive of any changes in wages resulting from the Awards under the Coal Mines (Minimum Wage) Act and from the Minimum Wage Regulations under the Trade Boards Act.

The Board of Trade point out that:—"Some industries are subject to more or less regular sequences of rising and falling wages; while in other industries the rise in wages, though greater in some years than in others, is practically uninterrupted. Coal mining, in which there have been more years of falling than of rising wages during the last twenty years, is the best illustration of the first group. On the other hand, the printing trades, the food and tobacco trades, and employees of public authorities, have not had a year of falling wages during the twenty years covered by these statistics; while the transport trades and the building trades, though showing little rise in some years of the period, show few years of actual reductions."

Return, in chronological order, of all Acts passed for the Inclosure of Commons or Waste Lands in England and Wales, arranged under the headings of the counties in alphabetical order. [H. of C. 399.] 1914. Price 9*d*.

THIS Report has been compiled in a comprehensive manner and incorporates the information contained in Lord Worsley's Report of 1843. The acreages of the areas inclosed have been added where possible.

Memorandum on the steps taken for the Prevention and Relief of Distress due to the War. [Cd. 7603.] 1914. Price 5½*d*.

THIS White Paper gives particulars of the appointment of the principal official Committees on distress, and copies of the circular letters, &c., issued last August.

Third Interim Report of the Royal Commission on the Natural Resources, Trade, and Legislation of certain portions of his Majesty's Dominions. [Cd. 7505.] 1914. Price 9*d*.

THIS Report deals with South Africa. To be reviewed.

Fourth Annual Report of Standing Committee on Boy Labour in the Post Office. [Cd. 7556.] 1914. Price 3*d*.

THE Committee's measures are now in full working, and whereas in the year before the appointment of the Committee the number of boys dismissed by the Post Office for lack of prospects was 4,471, practically no boys are now dismissed for this reason. Full details of the measures adopted are given in this Report.

Report of the Deputy Master of the Mint, 1913. [Cd. 7565.] 1914. Price 1*s*.

THE last year's issue of this Report was reviewed in this JOURNAL somewhat fully. The returns of gold coin held on June 30th, 1913, which was a Monday, by seventy-seven banks, including the Bank of England, came to £69,524,127, as compared with £60,640,681 in the previous year, when the return fell on a Saturday. For the first time, figures were collected of the quantities of bronze coin held by the banks, which on June 30th, 1913, amounted to no less than £710,770.

Report of the Board of Agriculture for Scotland on Home Industries in the Highlands and Islands. [Cd. 7564.] 1914. Price 11½*d*.

THIS is a report written by Dr. W. R. Scott, who was appointed in 1911 by the Secretary for Scotland to investigate and report upon home industries in the congested districts of Scotland, and in particular on the relation of these industries to the life of the people of the Highlands and Islands. The first part treats, with Dr. Scott's usual learning, of the development of industry from the sixteenth century. Other parts deal in succession with the Highland cottage tweed industry, Shetland hosiery, the lace-making industry, wickerwork and basket-making, and the kelp industry. This report will be reviewed in more detail in the next issue of the JOURNAL.

Industrial Directory, Ninth Issue. [Cd. 7483.] 1914. Price 1*s*. 3*d*.

THIS directory, prepared by the Department of Labour Statistics, includes within its scope :—Employers' Associations, Trade Unions, Federations of Trade Unions, Trades Councils, Conciliation and Arbitration Boards, Co-operative Societies, Friendly Societies, and lists of Board of Trade Labour Exchanges, of inspectors of mines and factories, and of insurance committees.

The Report of the Agricultural Organisation Society for the year ended March 31*st*, 1914. (London : Stepney Price. Pp. 120. 1*s*.)

Sixth Report of the Registrar of Boards of Conciliation and Investigation on the Proceedings under the Industrial Disputes Investigation Act, fiscal year ending March 31*st*, 1913. Ottawa. 1913.

THIS report includes a review of the proceedings during the six years for which the Act had been in operation.

Wholesale Prices, Canada, 1913. Report by R. H. Coats. (Ottawa : Government Printing Bureau. 1914.)

THIS report is based on returns, sent in on the 15th of each month by correspondents from some fifty localities in the Dominion having a population of 10,000 and over, relating to the current retail prices of twenty-eight articles, entering prominently into the cost of living, and the prevailing rental for a representative working man's dwelling of the better class. "Retail prices were comparatively steady in 1913, except for meat, which showed an upward tendency. The weekly cost of the above food budget, which would have been 29*s*. in 1910, rose to 29*s*. 9*d*. in 1911 and 30*s*. 7*d*. in both 1912 and 1913, an increase of 5·6 per cent. in the period. The average weekly expenditure on fuel and lighting rose from 7*s*. 4*d*. in 1910 to 7*s*. 5*d*. in 1911, 7*s*. 7*d*. in 1912, and 7*s*. 11*d*. in 1913, an increase of 8 per cent. since 1910. The average weekly rental of a six-roomed dwelling, which was 16*s*. 11*d*. in 1910 and 1911, rose to 19*s*. 2*d*. in 1912 and 19*s*. 10*d*. in 1913, an increase of 17·3 per cent. since 1910. The aggregate weekly household expenditure of a workman's family on food, fuel, lighting, and housing was 9·6 per cent. higher in 1913 than in 1910, assuming an identical standard of living in both years."

Official Year Book of the Commonwealth of Australia, containing authoritative statistics for the period 1901–1913 *and corrected statistics for the period* 1788 *to* 1900. Issued by G. H. Knibbs, Commonwealth Statistician. (Melbourne : McCann, Bird & Co. 1914. Pp. xl + 1098.)

"THE section dealing with Labour and Industrial Statistics, a subject on which special and organised investigation has been carried out by the Bureau for the last two years, has been considerably expanded, and new and valuable tables have been introduced."

Statistics of the Dominion of New Zealand for the Year 1912. 2 vols. (Wellington : Government Printer. 1913. Pp. xii + 902.)

Statistics of the Dominion of New Zealand for the Year 1913. Vol. II., Trade and Interchange. (Wellington : Government Printer. 1914. Pp. 272.)

Report on the Results of a Census of the Dominion of New Zealand taken for the night of the 2nd April, 1911. By M. FRASER, Government Statistician. (Wellington : Government Printer. 1913. Pp. 178.)

The Municipal Handbook of New Zealand, 1913. By M. FRASER. (Wellington: Government Printer. 1914. Pp. 223.)

The New Zealand Official Year-Book, 1913. By M. FRASER. (Wellington: Government Printer. 1913. Pp xi + 987.)

THE above compilations, which have been ably put together by Mr. Malcolm Fraser, the Government Statistician, comprise between them a very complete account of the statistical and other information available about conditions in New Zealand.

Library of Congress: List of References on Water Rights and the Control of Waters. Compiled under the direction of Hermann H. B. Meyer. (Washington: Government Printing Office. 1914. Pp. 111. Price 15 cents.)

OBITUARY

EUGEN VON BÖHM BAWERK.

THE tidings that this author, so well known among economists for a quarter of a century, has passed away from us, will cause wide-spread regret and sorrow.

Born at Brünn, in Moravia, February 12th, 1851, he died at Vienna on August 28th of this year. It is little more than a year since this JOURNAL recorded[1] the completion by him of a masterly work, to which, feeling no abatement of his powers, he intended to add another.[2] But his message had been delivered. Beginning first as a skilful expositor of "final utility" and its relation to Value, in the track of Jevons and Menger, then as a subtle and penetrating critic of past and current theories of Capital and Interest, he proceeded to state, illustrate, and defend an original theory of Interest, founded on men's different evaluation of present and future goods, in short, on the distinction of Time present and Time to come, a distinction as old as humanity, but never enough studied before for its bearing on economic puzzles. The statement, illustration, and defence were the chief employment of the last years of his life, so far as he was free so to employ them.

After his student's course in law and economics at Vienna, he was drawn into work of a clerical character in the Finance Department of the Imperial Government, and was so engaged

[1] June, 1913, *Kapital und Kapital-Zins, Positive Theorie*, Part II., 3rd ed.

[2] Preface to 3rd Ed. Part. I. p. xvii. It would have been on the respective influences of the "social" and of the "economic" category.

for about three years, 1872–1875.[1] The same department claimed his services at a later period for higher work. But after taking his doctor's degree in law, 1875, he gave himself to economic study, at Heidelberg, Leipzig, and Jena, under Knies, Roscher, and Hildebrand, becoming in 1880 *Privatdocent* in political economy at Vienna, and being then immediately called to Innsbruck, first as assistant, then as *Professor extraordinarius*, 1881, then as full *Professor*, 1884. After ten years of lecturing and writing, he was summoned to Vienna again, 1890, to be *Ministerialrath* in the Finance Department. The projected changes in the Austrian currency needed an economist; and Böhm Bawerk was at hand when they were made in 1892. He was assessor and vice-chairman of the Commission which led to the adoption of the Gold Standard with the *Krone* as unit. His full title there was *Sectionschef Dr. Ritter von Böhm Bawerk.*

Thereafter, though he had occasional glimpses of academic life, he was not completely restored to it till 1909. He wrote to a friend in that year that he was glad to be at last quite free to devote himself to economic study, his heart was there and he was not conscious of decay. He certainly showed none. Since 1909 he had been Professor of Political Economy at Vienna, along with his brother-in-law, Professor Wieser, and his friend, Professor Philippovich.

His writings will play a part in economic discussion long into the century, and his place among the makers of economic theory will be a high one. He had the happiness of finding good translators. His gifts of intellect and expression have been frequently noted in this JOURNAL. He showed a lively interest in the controversies carried on in English and American journals, to which he frequently contributed. He was one of the founders and editors of the *Zeitschrift für Volkswirtschaft, Socialpolitik, und Verwaltung,* Vienna and Leipzig, 1892, the intention of which was, *inter alia*, to encourage theory. He was Vice-President of the Imperial Academy of Sciences in Vienna.[2]

In lecturing he was clear and self-possessed, but he had no passion for the work, preferring the study to the lecture room. Never bitter in controversy, he was quiet, modest, and affectionate in private life. The estrangement of his nation from our own may have hastened his end.

[1] Elster's *Handbuch der Staatswissenschaften*, article "Böhm Bawerk." He was first *Praktikant* (assistant), then *Conzipist* (précis-writer).

[2] *Minerva* of 1910, p. 1221; "Vice-präsident Eugen Ritter Böhm von Bawerk K. K. Finanzminister."

Though there must have been a University thesis, his first book seems to have been : *Rechte und Verhältnisse vom Standpunkte der volkswirtschaftlichen Güterlehre*, Innsbruck, 1881. He there contends against Macleod and others that credit is *not* capital, and that in dealing with such "immaterial goods" as patents and goodwill we must beware of counting the same things twice over. Two articles in the *Jahrbücher für Nationalökonomie und Statistik*, 1886, were a careful re-statement of what is commonly called the theory of Final Utility. These articles contain his first principles, and the substance of them has been reproduced in English.

What is better known in English is his *Kapital und Kapital-Zins*. The first volume (History), 1884, and the second (Theory), 1889, were translated by Professor William Smart, 1890, 1891. The searching criticism of Karl Marx, *Zum Abschluss des Marxschen Systems*, 1896, was translated by Mrs. Murray Macdonald, 1898. It was his contribution to the celebration of the academic jubilee of his old teacher, Karl Knies.[1] Various articles in the economic journals of all nations appeared from his pen in defence of his positions, over a period of above twenty years. The fruits of them were gathered into his new editions of his greatest book, especially the third edition of *Kapital* (Theory), his ripest work.

His main theory, the "*agio*-theory" of Interest, has been taken up by large numbers, though with such diversities of interpretation that we can hardly say he founded a school. But his adherents form, if not a new school, a left wing of the old school of final-utilitarians, and seem to hold the hegemony. Be this as it may, the influence of the man is undoubted ; and many of us will agree with Professor Loria when, in the *Harvard Quarterly* of October, 1891, he speaks of this master as "one of the glories of European science."

J. BONAR

CURRENT TOPICS

AT the recent meeting of the British Association in Australia Mr. A. Duckworth, the Royal Economic Society's correspondent in New South Wales, communicated a Paper on "The Rate of Interest in Australia in Theory and Practice," from which the following extract is taken :—"In Australia, up to 1892, the leading life office had secured an effective rate of about 6 per cent. In

[1] Obituary in this JOURNAL, 1899, p. 489. There is an interesting personal reference to him in our author's *Kapital* (History), p. 253 *note*, transl. 208.

1893 the banking crisis resulted in a considerable reduction in interest rates in Australia. Since 1896, however, there has been a steady upward movement of general prices necessarily affecting Australia also. The office named secured its maximum rate of interest, £6 4*s*. 6*d*. per cent., in the period 1879–83, and its minimum rate was £4 9*s*. per cent., in the period 1902–4. The rate for the year 1913 was £4 11*s*. 7*d*."

THE following have been elected Fellows of the Royal Economic Society:—P. Sargant Florence, P. Hofstede de Groot, Miss G. Jebb, G. McIntosh, W. E. Shields. The following libraries have been admitted to library membership:—The Liverpool University Library, the Melbourne University Library.

Appointments.—Mr. H. Stanley Jevons has been appointed to the newly established Professorship of Economics in the University of Allahabad. The duties of the Professor are to carry on research in economics with reference to Indian conditions, the results of which will be published by the University, and to conduct a class for post-graduate students.

Mr. A. R. Burnett-Hurst, B.Sc., has been appointed to the Professorship of Economics in the Muir Central College, Allahabad.

Mr. B. Mukherjee, M.A., formerly Research Scholar of the Government of Bengal in Indian Economics and Finance, has been appointed to be an Assistant to the Minto Professor of Economics in the University of Calcutta.

RECENT PERIODICALS AND NEW BOOKS.

Quarterly Review.

OCTOBER, 1914. *Organised Labour and the War.* Based on the particulars given in the Board of Trade *Labour Gazette* as to the settlement of industrial disputes in August. *Economic Aspects of the War.* EDGAR CRAMMOND. The first part of this article deals summarily with the finance of wars in the recent past.

The Political Quarterly.

SEPTEMBER, 1914. *Next Steps in Factory and Workshop Reform.* ARTHUR GREENWOOD. *The Problem of Public and Private Assistance among the Tuberculous Poor.* W. J. ROWLAND. *Studies in Municipal Government. No. 3. Sheffield.* O. C. WILSON. *The Proposed Readjustment of Imperial and Local Taxation.* ARTHUR COLLINS. *The Central Departments of Public Administration. I. The Treasury and Financial Control.* A very clear account of the existing machinery and practice.

Contemporary Review.

OCTOBER, 1914. *British Trade and the War.* L. G. CHIOZZA MONEY. Largely based on the Statistical Abstract. *The Urban Housing Problem in England and Wales.* B. SEEBOHM ROWNTREE.

The Round Table.

SEPTEMBER, 1914. *Lombard Street in War.* The author is able to show by quotations from an article written in March, 1914, that he predicted with remarkable accuracy the difficulties of the Accepting Houses.

The Economic Review.

OCTOBER, 1914. *Comparisons.* L. W. WILSDEN. On the statistical basis necessary to determine what wages a given industry can fairly afford to pay. *The Economic Position of Women.* EDITH J. MORLEY. "An account of some work attempted by the Fabian Women's Group." *Agricultural Conditions in Norfolk.* G. M. MACDERMOTT.

Bankers' Magazine.

NOVEMBER, 1914. *Bank of England Notes and the Act of* 1844. SIR R. H. INGLIS PALGRAVE. Attention is called to the provision of the Scottish and Irish Bank Acts by which any demand for

notes, to whatever extent it may go, may be legally complied with, provided that on an average of four weeks the prescribed amount of gold is held.

Women's Industrial News.

OCTOBER, 1914. *Maintenance Grants under Separation Orders.* MRS. R. L. REISS.

Board of Trade Labour Gazette.

AUGUST, 1914. *Membership of Trade Unions in* 1913. The result of inquiries made by the Department of Labour Statistics is summarised. At the end of 1913 the membership of the Unions was 3,993,769, an increase of 21·5 per cent. over 1912. "The expansion in membership was common to practically all trades, but was especially marked in the transport and general labour groups. Some of the increse is attributable to trade union activity in connection with the National Insurance Act." *Maximum Retail Prices.* A list of the maximum retail prices for cash recommended by the Advisory Committee of Retail Traders. Continued in September. *Expenditure of Working-Class Families in Denmark.* The contents of a recent report by the Danish Government Statistical Office are summarised. *Farm Servants' Wages in Scotland.* The rates for the first six months of 1914. *Coal Mines Minimum Wage Act,* 1912. Copy of award in the West Yorkshire District.

SEPTEMBER, 1914. *The Labour Market in August.* These figures are naturally of special interest. *Retail Food Prices.* "Retail prices of food began to move upward on Saturday, August 1st, but it was not until after the Bank Holiday (August 3rd) that any sharp general rise occurred. By August 8th prices had risen, on average, by 15 or 16 per cent. After that date, however, there was a fall in the price of most articles, until, at September 12th, food prices on the whole were approximately 10 per cent. above the level of July." *Profit Sharing in the United Kingdom in* 1913–14. The figures and details of the last report are brought up to date. *London Building Trade Dispute.* A brief history. Just before the outbreak of war a general lock-out had been decided on. But at a conference on August 6th an agreement was arrived at accepting the terms last offered by the master builders, and previously rejected by the men, on the understanding that certain clauses should be submitted to the augmented Conciliation Board for final decision.

OCTOBER, 1914. *Government Assistance to Trade Unions for Unemployment.* Particulars of the conditions on which applications are entertained for the payment of special grants to voluntary associations which provide benefits for their unemployed members. *Retail Food Prices.* Between September 12th and October 1st there was a slight upward movement, mainly in the prices of sugar, eggs, and fish. The general net increase over July prices at October 1st averaged about 12 per cent. *Industrial Co-operative Societies in the United Kingdom in* 1913. The latest figures are summarised.

American Economic Review (Boston).

SEPTEMBER, 1914. *Public Regulation of Railroad Issues.* W. Z. RIPLEY. With a view to the avoidance of over-capitalisation. *Some Neglected Phases of Rate Regulation.* J. M. CLARK. With special reference to the influence of a change of prices on the rate of interest. *Voyage Costs via Panama and Other Routes.* LINCOLN HUTCHINSON. *Certified Securities.* T. MULVEY. Can securities be "pasteurized" by enactments of the legislature?

Quarterly Journal of Economics (Harvard).

AUGUST, 1914. *Railroad Over-Capitalisation.* W. Z. RIPLEY. *Depreciation and Rate Control.* ALLYN A. YOUNG. *The Trust Problem.* E. DANA DURAND. On the ultimate results of permitting and regulating combinations, and the alleged advantages of combination. *Agricultural Credit in the United States.* JESSE E. POPE. *A Contribution to the Theory of Competitive Price.* J. M. CLARK. A brilliant and suggestive article. *Books on Business Cycles: Mitchell, Aftalion, Bilgram.* WARREN M. PARSONS.

Journal of Political Economy (Chicago).

OCTOBER, 1914. *Currency Policy and the European War.* C. A. CONANT. On the growth of the policy of centralised gold reserves. *Taxation in New France: A Study in Pioneer Economics.* S. ROY WEAVER. Seventeenth century history. *Tendencies in Economic Legislation in Wisconsin.* C. L. JONES. *Machinery in Sixteenth-Century English Industry.* JULIUS W. PRATT. *Washington Notes.* A summary account of the administrative measures rendered necessary by the outbreak of war in Europe.

Political Science Quarterly (New York).

SEPTEMBER, 1914. *Unfair Competition. II.* W. S. STEVENS. "A study of certain practices and their relation to the Trust Problem in the United States."

Annals of American Academy (Philadelphia).

SEPTEMBER, 1914. A valuable series of articles by economists and business men under the general title of *Government Regulation of Water Transportation*, but covering a rather wider field than this in regard to agreements, reports, contracts, &c., in the shipping business.

U.S. Bulletin of Labor Statistics.

No. 141. *Lead Poisoning in the Smelting and Refining of Lead.*
No. 144. *Industrial Court of the Cloak, Suit, and Skirt Industry of New York City.*

Giornale degli Economisti (Rome).

AUGUST, 1914. *Sintomi Statistici dello Sviluppo economico dell' Austria.* R. SORER. A composite index number is employed to show economic progress in Austria since 1882. *Studio sull' industria laniera.* CARLO DI NOLA. A concrete but philosophical study of the wool industry in Italy.

SEPTEMBER. *Sulla ripartizione territoriale del risparmio in Italia.* A. VITA. On the encouragement of saving by credit institutions. *Sul significato logico del "Coefficiente di correlazione."* C. BRESCIANI-TURRONI. The new coefficient introduced by Prof. Mortara (*Giornale,* April, 1914) is criticised. *Un episodio di storia delle finanze papali.* F. GENTILI. Incidents of Italian finance in 1848. *Per una mancata riforma.* F. INSOLERA. A criticism of the "reform" proposed by Prof. Amoroso, November, 1913.

OCTOBER. *Sulla teoria economica della capitalizzazione.* FELICE VINCI. *A proposito della teoria dei Costi comparati.* ROBERTO MURRAY. *Quando ai piaceri in mezzo od ai tormenti.* L. AMOROSO. Literary allusions setting off actuarial science enliven this reply to F. Insolera's criticism.

De Economist (The Hague).

SEPTEMBER, 1914. *De economische beteekenis van den oorlog.* C. A. VERRIJN STUART. *Uit de geschiedenis van de banken van leening in Nederland. I.* H. J. WESTERLING.

NEW BOOKS.

English.

ASHLEY (W. J.). Report of the Intelligence Officer to the Birmingham Citizens' Executive Committee. Birmingham. 1914. Pp. 7.

[The state of employment in Birmingham in October seems to have been satisfactory.]

BLAND (A. E.), BROWN (P. A.), and TAWNEY (R. H.). English Economic History: Select Documents. London: G. Bell. 1914. Pp. xx + 730. 6*s.* net.

["The object of this work is to supply teachers and students of English Economic History with a selection of documents which may serve as illustrations of their subject. . . . Our object was not to produce a work of original research, but to help students of Economic History to see it more intelligently by seeing it through the eyes of contemporaries.". The period from 1000 to 1846. To be reviewed.]

BRAILSFORD (HENRY NOEL). The War of Steel and Gold: A Study of the Armed Peace. London: G. Bell. 1914. Pp. 320.

BRIGGS (M.). Economic History of England. London: University Tutorial Press. 1914. Pp. vii + 508. 5*s.* 6*d.* net.

[A text-book with no pretensions to originality. "The book," according to the preface, "contains sufficient material to enable students to pass the Cambridge Historical Tripos, the Intermediate and Degree Examinations for B.Sc. (Econ. London, and examinations of similar standard." To be reviewed.]

CHAPMAN (SYDNEY J.). Work and Wages.. Part III. Social Betterment. London: Longmans, Green. 1914. Pp. viii + 382. 9*s.* net.

[Professor Chapman's continuation of Earl Brassey's *Work and Wages*, and *Foreign Work and English Wages* is here brought to a conclusion by a volume on housing, health, the training of the young, conditions of labour and so forth. To be reviewed.]

DEARLE (N. B.). Industrial Training, with special reference to the conditions prevailing in London. London: P. S. King. 1914. Pp. xiii + 596. 10*s.* 6*d.* net.

[This book has gradually grown out of an inquiry, into which its author originally entered as Shaw Student of the London School of Economics. To be reviewed.]

FOX (J. HOYLAND). The Woollen Manufacture at Wellington, Somerset. Compiled from the Records of an Old Family Business. London: Humphreys. 1914. Pp. 121. 7*s.* 6*d.* net.

[The record of an industrial undertaking carried on for nearly 250 years by the old Quaker families of Were and Fox.]

GOW (WILLIAM). Sea Insurance according to British Statute. London: Macmillan. 1914. Pp. xl + 478. 14*s.* net.

["A detailed statement of the provisions of the Marine Insurance Act (of 1906) with a supplement consisting of the essential parts of the great leading judgments upon which the Act has confessedly been constructed."]

HILL (SIR NORMAN). The Liverpool Funds for Relief of Distress occasioned by the War. Liverpool. 1914. Pp. 25.

["Civilian distress caused by the war is not at present widespread in Liverpool. . . . In this memorandum an attempt is made to estimate the amount that will be required to meet the needs of the Liverpool soldiers and sailors and their dependants." The number of Liverpool men serving in the Army and Navy is about 50,000, having about 20,000 dependants. The Government separation allowances, with the men's own allotments and employer's allowances will maintain the dependants of nearly 90 per cent. in as good a position as before the war. Supplementary relief of various kinds, if the war lasts a year, is estimated at £55,000.].

KETKAV (S. V.). An Essay on Indian Economics and its Relation to Social, Psychic, Political, and Linguistic Conditions in India. 1914. 1*s.* 8*d.* net.

LEWIN (H. G.). The British Railway System. Outlines of its Early Development to the year 1844. London: Bell. Pp. 67. 2*s.* 6*d.* net.

[An abstract summary almost without comment of railway building in England up to 1844, with admirable maps of each important extension. To be reviewed.]

MACADAM (ELIZABETH). The Universities and the Training of the Social Worker. 1914. Pp. 12.

[Reprinted from the *Hibbert Journal*, January, 1914.]

MUKHOPADHYAYA (PANCHANANDAS). The Cooperative Credit Movement in India. Calcutta: Rai M. C. Sircar Bahadur. 1914. Pp. 156.

[Composed somewhat largely of citations from other writers.]

PAPWORTH (L. WYATT) and ZIMMERN (DOROTHY M.). The Occupations of Women according to the Census of England and Wales, 1911. London: Women's Industrial Council. 1914. Pp. 41. 6*d.*

[Summary tables extracted from the Census Returns.]

SMITH-GORDON (L.) and O'BRIEN (CRUISE). Ireland's Food in War Time. Dublin: Plunkett House. 1914. Pp. 75. 3*d*. net.

[No. 1 of the *Miscellaneous Publications* of the Coöperative Reference Library. An examination of "the condition of Ireland as regards her normal consumption of the principal food-stuffs, her production to meet the demands of that consumption, and her imports to remedy her inadequate production."]

WEBB (M. DE P.). Indian Finance and Currency: A Note on the Report of the Royal Commission. London: P. S. King. 1914. Pp. 35. 2*s*. 6*d*.

[The author endeavours "to explain in the simplest language, stripped of all unnecessary verbiage, qualifications and reservations, the actual findings and recommendations of Mr Austen Chamberlain's Commission." He adds a brief note on the subject of a State Bank for India which would, he thinks, "add very greatly to India's power and prestige in the eyes of the world." With the Commission's financial proposals Mr. Webb expresses himself well satisfied and as going far to justify his own criticisms. But to the currency system recommended by the Commission he has not weakened his opposition. "As the subject of a lecture in a College theatre, such a fantasy would afford much scope for a useful discussion; as a practical scheme for carrying forward the monetary development of the wealthiest and most populous over-sea division of the British Empire, its dangers cannot be too quickly exposed and its extinction recorded."]

WHITMAN (S.), edited by The War on German Trade. Hints for a Plan of Campaign. London: Heinemann 1914. Pp. 123. 1*s*. net.

[Articles reprinted from the *Evening News*.]

WHYTE (A. G.) and ELDER (T. C.). The Underwar. A Reasoned Statement of the True Strategy involved in the "War upon Germany's Trade." London: Electrical Press. 1914. Pp. 126. 1*s*. net.

WRIGHT (ARNOLD). Disturbed Dublin: The Story of the Great Strike of 1913-14. With a description of the Industries of the Irish Capital. London: Longmans, Green. 1914. Pp. xii+337. 3*s*. 6*d*. net.

[To be reviewed.]

American.

BONITON (WILLARD C.). Graphic Methods for Presenting Facts. New York: The Engineering Magazine Company. 1914. Pp. xii+371.

[An entertaining and ingenious work, largely intended for advertisers, which the average reader—the author claims—can skim through in an hour. To be reviewed.]

FISHER (IRVING). Why the Dollar is Shrinking: A Study in the High Cost of Living. New York: The Macmillan Company. 1914. Pp. xiv+233. 5*s*. 6*d*. net.

[A popular version of Professor Fisher's *The Purchasing Power of Money*, not without illustrations of a mechanical balance in equilibrium and proposals for "standardising the dollar." To be reviewed.]

PAGE (EDWARD D.). Trade Morals, their Origin, Growth, and Province. New Haven: Yale University Press. 1914. Pp. xv+287. 6*s*. net.

[The outcome of lectures delivered at Yale by the founder of a lectureship there, who is well known in the dry goods business. The economist will be disappointed at the comparatively small amount of strictly economic matter, as compared with the space devoted to evolutionary, psychological and cognate topics.]

Ross (Edward Alsworth). The Old World in the New: The Significance of Past and Present Immigration to the American People. New York: The Century Co. 1914. Pp. 327. $2.40 net.

[A study of a somewhat popular character, based on articles originally contributed to the *Century* magazine, by the Professor of Sociology in the University of Wisconsin. With many admirable photographs of typical immigrant types.]

Secrist (Horace). An Economic Analysis of the Constitutional Restrictions upon Public Indebtedness in the United States. Wisconsin: The University. 1914. Pp. 131. 40 cents.

[*Bulletin of the University of Wisconsin.* Part I. deals with State Debt, and Part II. with Municipal Debt. Both are partly historical.]

Sowers (Don C.). The Financial History of New York State from 1789 to 1912. New York: Columbia University. (London: P. S. King.) 1914. Pp. 346. 10*s*. net.

[*Columbia University Studies.* "One of a series of studies which has been prepared under the direction of the Department of Economics and Sociology of the Carnegie Institution of Washington, as a basis for writing the economic history of the United States."]

White (Andrew Dickson). Fiat Money Inflation in France: How it came, what it brought, and how it ended. (New edition: revised and enlarged by the author. Printed for Private Circulation only.) Toronto: John Mackay and Company. 1914. Pp. 69.

[A revised history of the French *Assignats* by the late President and Professor of History at Cornell, originally published by him as a pamphlet in 1876 during the "greenback craze."]

French.

Leroy-Beaulieu (Pierre). Les impôts et les revenus en France, en Angleterre et en Allemagne. Paris: Colin. 1914. Pp. 68.

[Contrasts between the financial system of France and those of England and Germany (as the three were before the war), in respect of the amount and distribution of national income, the proportion of taxation to income and the growth of that burden, are presented with all the lucidity which characterises the French classical school in general, and the family of Leroy-Beaulieu in particular. The result of the comparison is unfavourable to the adoption of the income-tax by the French.

German.

Weber (Max), edited by. Grundriss der Sozialökonomik. Erstes Buch. Grundlagen der Wirtschaft. Abteilung I. Wirtschaft und Wirtschaftswissenschaft. Abteilung II. Die natürlichen und technischen Beziehungen der Wirtschaft. Tübingen: J. C. B. Mohr. 1914. M. 11+M. 9.

[These are the first two parts of a huge compilation by various distinguished German and Austrian economists, to be published in ten to twelve parts under the general editorship of Prof. Max Weber. With the exception of Finance and Problems of Poverty, the whole field of Social Economics is to be covered. The first two parts, specified above, have been published. The remaining parts were originally advertised as due to appear before the end of 1915. Nine writers contributed to these two parts, amongst whom may be mentioned J. Schumpeter on *Epochen der Dogmen- und Methodengeschichte.* von Wieser on *Theorie der gesellschaftlichen Wirtschaft*, A. Hettner on *Die geographischen Bedingungen der menschlichen Wirtschaft*, P. Mombert on *Bevölkerungslehre*, R. Michels on *Wirtschaft und Rasse*, and K. Oldenberg on *Die Konsumtion.*]

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[To be reviewed.]

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